

NORTH SOMERSET COUNCIL

**STATEMENT OF ACCOUNTS
2010/11**

(subject to External Audit Opinion)

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Explanatory Foreword

The Statement of Accounts set out in the following pages describe the Council's financial affairs for the year ended 31 March 2011. The format of the accounts follows best practice as defined in the Code of Practice on Local Authority Accounting 2010/11 which for the first year incorporates the requirements of International Financial Reporting Standards. The impact of these standards is set out in further detail in the following section.

By definition, the accounts are technical and this reflects the prescriptive nature of local authority accounting. The notes to the accounts are intended to assist in the understanding of the principle statements.

If any further information or explanation is required, please contact the Financial Management section on 01934 634619.

Changes in Accounting Practice

As highlighted above, this year's accounts are the first produced by the Council in line with International Financial Reporting Standards (IFRS).

In the 2007 Budget, the then-Chancellor of the Exchequer announced that the UK public sector would adopt IFRS as this was seen as best practice and allowed for international comparisons to be made.

The figures included in the 2009/10 accounts that were prepared in accordance with the Statement of Recommended Practice on Local Authority Accounting (the SoRP) and UK GAAP have been restated in accordance with the Code to provide the comparatives in these 2010/11 accounts.

The main changes as a result of IFRS are as set out in the following table:

	Significant Changes	Substantially the Same
Financial Statements	New statements and amended layouts. More flexibility – detail can be in the statements or the notes; terminology can be amended; and the order of the statements can be changed to suit the authority.	New formats consistent with those used in the SoRP where this is possible and helpful.
Purchase of Goods & Services	None.	Everything.
Salaries and Pensions	Untaken holiday pay and similar items accrued for at year-end.	Everything else.
Government Grants & Contributions	Capital grants recognised immediately (unless there are conditions) rather than being deferred and matched to expenditure.	Only the same for capital grants if there are conditions.
Property, Plant & Equipment (Fixed Assets)	More emphasis on component accounting than under UK GAAP. Impairments taken initially to the Revaluation Reserve rather than Income and Expenditure – like revaluation losses. New class of 'Assets Held for Sale'.	Everything else. Expenditure that can be capitalised under IFRS remains unchanged.
PFI	Assets brought onto the balance sheet where the authority controls the asset. Changes made in SoRP 2009 – no change for 2010/11.	
Leases	90% 'test' to separate finance and operating leases removed. Property leases classified and accounted for as separate leases of land and buildings. Need to assess whether other arrangements contain the substance of a lease.	Everything else. IFRS retains the concept of the finance lease / operating lease distinction, and the tests carried out to classify leases are substantially the same.
Financial Instruments	None – IFRS is identical to UK GAAP.	Everything.

Explanatory Foreword

Movement in Reserves Statement (page 9)

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The statement shows that the Authority's usable reserves currently stand at £56.454m with £7.505m of this total, represented by the Council's General fund balance. In setting the 2011/12 revenue budget, the Council's assessment of an appropriate level of general non-earmarked reserves was considered to be £7m.

Comprehensive Income and Expenditure Statement (page 10)

This statement shows the accounting cost in the year of providing services in accordance with proper accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; This may be different from the accounting cost. The taxation position is shown in the Movement in Reserves.

The Statement shows that the cost of the Council providing services in 2010/11 was £27.4m greater than its income, largely due to a significant reduction of £66.4m in the value of its assets.

Whilst this statement provides the statutory reporting requirement the Council monitors its budget throughout the year and the year-end position on its revenue budget showed an underspend of £185,000 or 0.13% against its annual budget of £146.187m. The breakdown of this underspend is shown in the table below:

Directorate	Budget £000	Variance £000
Service Areas		
Adult Social Services and Housing	50,564	511
Children & Young People's Services	28,556	235
Development & Environment	37,604	(237)
Finance & Resources	8,441	(789)
Corporate Services Unit	3,320	(101)
Severance Costs	690	1,270
Sub-total - Service Areas	129,175	889
Non Service Areas		
Capital Financing & Interest Budgets (net of statutory accounting transfers)	11,578	(254)
Non Service Budgets	4,445	(71)
Contingency	989	(749)
Sub-total - Non-Service Areas	17,012	(1,074)
TOTAL	146,187	(185)
Funded By		
Council Tax	94,213	0
Formula Grant	51,974	0
	146,187	0

To achieve this net position the Council has had to undertake a significant level of mitigating actions to respond to major cost pressures relating to adult and childrens care (£2.347m) and economic pressures, such as income shortfalls (£2.042m).

In response to the month 3 position earlier in the year, which projected an overspend of £1m, the Council agreed a series of Budget Recovery Plans. These actions were in addition to the mitigation already implemented as a result of the in-year loss of grants following the urgent financial measures introduced by Central Government.

The mitigating action has continued throughout the financial year with Directors agreeing actions which both maximised income streams and introduced cost savings wherever possible and has delivered savings in excess of £6.3m.

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As highlighted above the current economic climate has had a significant effect on the Council's budget. Whilst provision has been made for elements of this cost pressure in the 2011/12 budget, the Council along with all business, cannot be completely certain of the ongoing effect. This is why the Council continues to ensure that the revenue budget allows a degree of contingency, which for 2011/12 is £2.8m.

Balance Sheet (page 11)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are useable reserves, i.e. those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the Council is not able to use to provide services, including those that hold unrealised gains and losses (e.g. the Revaluation Reserve), those where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Balance Sheet at 31 March 2011 shows that the Council manages long term assets of £634m. In 2010/11, the council spent over £57m on capital projects, the major schemes being in Schools and Children's services (£22.8m), Development and Environment (£25.1m), and Housing (£3.5m).

As well as facing reductions in its revenue budget from 2011/12, the Council will also face significant reductions in government allocations for capital spending, particularly in areas such as schools and social housing where reductions of 50% are anticipated. Whilst the Council will seek to identify local investment to deliver high priority projects, it will not be able to meet this gap, and therefore investment in key community assets will reduce over the coming years.

As at 31 March 2011, the amount of expenditure that is currently financed from long term borrowing, either external or internal had reached £110m. The vast majority of external long term borrowing has been arranged with the Public Works Loan Board. Current assets, which are those assets the council has access to, such as cash and debtors, exceed current liabilities, such as creditors, by £29m, a healthy position being managed proactively.

Cash Flow Statement (page 12)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

As at 31 March 2011, the level of cash and cash equivalents has fallen by £1.452m from the previous year, although it should be noted that the Council's overall level of current assets still remains over 40% greater than current liabilities, as set out in the previous section.

Avon Pension Fund Reserve

The deficit recorded within the accounts relating to the Avon Pension Fund is currently £133.331m as at 31 March 2011, a reduction of £26.509m from the opening balance of £169.840m. The significant reason for the reduction relates to the Government's decision to uprate pensions in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) which has reduced the deficit by £27.146m.

Looking forward, in 2011/12 the Council, along with other members of the Avon Pension Fund have implemented a change in the way the deficit is recovered. Instead of recovering the deficit as a percentage of current employee remuneration, the Council will pay an absolute sum, thus ensuring that the required deficit payment is made and is not subject to potential underpayment due to falling staff numbers.

Collection Fund (page 87)

The Collection Fund details the Council's activities in collecting Council Tax and National Non-Domestic Rates (NNDR). At the year end, the Fund had a surplus balance of £694,000 of which £82,000 is due to Avon &

Explanatory Foreword

Somerset Police, £29,000 is due to the Avon Fire Authority, with the remaining £583,000 being due to North Somerset Council.

In setting its 2011/12 budget, the Council, using latest available estimates, had assumed that there would be a surplus of £500,000 on the Collection fund, that it could use to support its services, and therefore, the outturn position provided the Council with an additional £83,000 which for the time being will go into general non-earmarked reserves.

Council Tax gross debts of £8.238m (from all previous years) were outstanding at the year end, which the Council continues to make every effort to collect. However, provision for non-collection of £4.851m has been made, and included within the accounts. NNDR arrears stood at £5.539m, with a provision of £2.763m included in the accounts for potential bad debts.

Overall Situation and Outlook

Challenging finances are not new to North Somerset Council. We are a low-funded and low-spending authority that has successfully overcome a £17m budget deficit in the period 2008-2010 and the first year of a £19m budget deficit for 2010-2012. The Council therefore has a good track record for performing with limited financial resources, securing an “improving strongly” overall assessment and consistently high service ratings. The PWC benchmarking analysis consistently rates North Somerset as one of the top performing unitary authorities in England.

However, the outcome of the Comprehensive Spending Review and Government Grant Settlement at the end of last year was extremely disappointing, and current projections estimate that the Council will need to save a further £47.3m or £1 in every £3 of its net budget over the next four years. The 2011/12 budget contains £17.5m of savings, and a further £14.4m will be required in 2012/13.

Whilst the Council fully accepts the need for North Somerset to pay its ‘fair share’ towards the inherited national budget deficit, it does not believe that the Council should pay a disproportionate amount and has already expressed its concerns directly to Ministers at the Department of Communities and Local Government.

As an example, the 2011/12 grant settlement saw £3m of formula funding that should have come to North Somerset be transferred to other Councils, and this number will increase to £4m should the provisional grant settlement for 2012/13 be approved.

Looking further forward, given the level of savings required, it is clear that North Somerset Council will look, feel and operate very differently in the near future. The Council has sought to be ‘ahead of the curve’ through good forward planning and implementing organisational change, but given these new financial restrictions, much more of this work will be required. To this end the Council has adopted a new organisational approach, which has six key themes:

- **Streamlined** – a smaller, more efficient and responsive strategic council
- **Smarter working** – an organisation that takes a systemic approach to remodelling services, stripping out bureaucracy wherever possible and maximising the use of new systems, technology, buildings and information for the benefit of its customers
- **Self service for residents** – that residents are given the information, tools and opportunities to resolve their affairs with minimal council involvement and interaction, with a clear focus on personal choice
- **Self-supporting communities** – that wherever possible, assets are owned, and services are provided by local communities, for local communities
- **Strategic Partnerships** – that the council works with other organisations through a series of strategic partnership arrangements in order to achieve the best outcomes for local people
- **Stimulating the private and civic sectors** – that the council delivers fewer services directly, and makes best use of the private and civic sectors to provide services locally. That the council stimulates the private and civic sectors to invest locally and add to the vitality, vibrancy and quality of life in North Somerset

This approach is aimed at achieving service redesign, and that service reduction will only be considered as a last resort. North Somerset is better prepared than many others due to its established programme of prudential financial management, having achieved significant savings across the Council, with further major change programmes in place to deliver more.

Our transformation agenda will fundamentally change the shape and organisational design of the Council and the way we operate. This change is all focused upon enabling us to maintain the quality of services we provide wherever possible, by doing things differently.

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This does not mean that communities and residents will not see or feel changes. The scale of the financial challenges is too great to avoid this. However, change will be focused upon streamlining the way we provide services, and most importantly, working more closely, with local communities, the private sector, and civic sector to provide services in more cost effective ways.

Phil Hall CPFA BSc (Hons)
Director of Finance and Resources

29 June 2011

Statement of Responsibilities

North Somerset Council's Responsibilities

North Somerset Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

The Director of Finance and Resources' Responsibilities

The Director of Finance and Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") which requires the Council to certify a 'true and fair view' of the financial position of the authority and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts, the Director of Finance and Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Director of Finance and Resources has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

CERTIFICATE

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of North Somerset Council as at 31 March 2011 and hereby authorise the issue of the accounts.

Richard Penska, FCCA
Assistant Director of Finance & Resources
30 June 2011

Movement in Reserves Statement

			Usable Reserves							Unusable Reserves					
		Note	General Fund Balance	LMS School Balances	Dedicated Schools Grant	Earmarked Revenue Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Balances	Adjustment Accounts	Total Unusable Reserves	TOTAL RESERVES	
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2009			(9,633)	(5,651)	(1,584)	(20,647)	(4,134)	(15,477)	(3,578)	(60,704)	(336,341)	(50,771)	(387,112)	(447,816)	
Movements in Reserves 2009/2010															
(Surplus) / deficit on Provision of Services			5,723	0	0	0	0	0	0	5,723	0	0	0	5,723	
Other Comprehensive Income and Expenditure			0	0	0	0	0	0	0	0	(6,827)	46,621	39,794	39,794	
Total Comprehensive Income and Expenditure			5,723	0	0	0	0	0	0	5,723	(6,827)	46,621	39,794	45,517	
Adjustments between accounting basis & funding basis under regulations			8	(2,347)	0	0	0	1,941	1,412	1,006	18,071	(19,077)	(1,006)	0	
Net Increase / Decrease before Transfers to Earmarked Reserves				3,376	0	0	0	1,941	1,412	6,729	11,244	27,544	38,788	45,517	
Transfers to / from Earmarked Reserves			9	(84)	(124)	529	(387)	334	0	268	0	(268)	(268)	0	
Increase / Decrease in 2009/2010				3,292	(124)	529	(387)	334	1,941	1,412	6,997	11,244	27,276	38,520	45,517
Balance at 31 March 2010				(6,341)	(5,775)	(1,055)	(21,034)	(3,800)	(13,536)	(2,166)	(53,707)	(325,097)	(23,495)	(348,592)	(402,299)
Movements in Reserves 2010/2011															
(Surplus) / deficit on Provision of Services				(23,504)	0	0	0	0	0	(23,504)	0	0	0	(23,504)	
Other Comprehensive Income and Expenditure				0	0	0	0	0	0	0	66,379	(15,473)	50,906	50,906	
Total Comprehensive Income and Expenditure				(23,504)	0	0	0	0	0	(23,504)	66,379	(15,473)	50,906	27,402	
Adjustments between accounting basis & funding basis under regulations			8	16,541	0	0	0	5,556	(1,374)	20,723	11,744	(32,467)	(20,723)	0	
Net Increase / Decrease before Transfers to Earmarked Reserves				(6,963)	0	0	0	5,556	(1,374)	(2,781)	78,123	(47,940)	30,183	27,402	
Transfers to / from Earmarked Reserves			9	5,799	(672)	(56)	(4,537)	327	(827)	34	0	(34)	(34)	0	
Increase / Decrease in 2010/2011				(1,164)	(672)	(56)	(4,537)	327	4,729	(1,374)	(2,747)	78,123	(47,974)	30,149	27,402
Balance at 31 March 2011 - carried forward				(7,505)	(6,447)	(1,111)	(25,571)	(3,473)	(8,807)	(3,540)	(56,454)	(246,974)	(71,469)	(318,443)	(374,897)

Comprehensive Income and Expenditure Statement

2009/10				Note	2010/2011		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
80,185	(23,327)	56,858	Adult Social Care		84,206	(24,181)	60,025
17,770	(13,818)	3,952	Central Services to the Public		17,564	(14,576)	2,988
224,819	(167,032)	57,787	Children's and Education Services		239,351	(182,346)	57,005
63,699	(25,951)	37,748	Cultural, Environmental, Regulatory and Planning Services		51,504	(17,562)	33,942
13,749	(3,569)	10,180	Highways and Transport Services		20,815	(6,105)	14,710
62,392	(59,490)	2,902	Housing Services		65,866	(61,861)	4,005
7,792	(1,628)	6,164	Corporate and Democratic Core		7,247	(132)	7,115
2,763	0	2,763	Non Distributed Costs	6	2,384	(28,552)	(26,168)
473,169	(294,815)	178,354	Cost of Services	30	488,937	(335,315)	153,622
3,568	(1,475)	2,093	Other operating expenditure	10	5,141	0	5,141
32,049	(17,355)	14,694	Financing and investment income and expenditure	11	33,444	(19,998)	13,446
0	(189,418)	(189,418)	Taxation and non-specific grant income	12	0	(195,713)	(195,713)
508,786	(503,063)	5,723	(Surplus) / Deficit on Provision of Services		527,522	(551,026)	(23,504)
		(6,904)	(Surplus) / deficit on revaluation of non-current assets				66,372
		77	(Surplus) / deficit on revaluation of available-for-sale financial assets				7
		46,621	Actuarial (gains) / losses on pension assets and liabilities				(15,473)
		39,794	Other Comprehensive Income and Expenditure				50,906
		45,517	Total Comprehensive Income and Expenditure				27,402

Balance Sheet

1 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
		Property, Plant and Equipment	13	
579,793	605,463	Other Land and Buildings		537,930
8,647	9,746	Vehicles, Plant, Furniture and Equipment		13,016
34,252	46,694	Infrastructure Assets		58,372
2,573	3,248	Community Assets		3,813
20,079	7,602	Assets Under Construction		0
134	1	Surplus Assets not held for sale		0
5,006	6,604	Investment Property	14	6,262
11,552	6,666	Long Term Investments	15	13,224
1,484	1,432	Long Term Debtors	16	1,654
663,520	687,456	Long Term Assets		634,271
103,061	90,180	Short Term Investments	18	64,739
0	0	Assets Held for Sale	22	609
68	91	Inventories	19	66
21,951	30,700	Short Term Debtors	20	29,587
0	238	Cash and Cash Equivalents		0
125,080	121,209	Current Assets		95,001
(2,004)	0	Cash and Cash Equivalents	21	(1,214)
(3,561)	(7,563)	Short Term Borrowing	18	(6,602)
(46,587)	(47,736)	Short Term Creditors	23	(42,596)
(1,016)	(569)	Provisions	24	(2,511)
(10,715)	(25,466)	Capital Grants Receipts in Advance	42	(13,311)
(63,883)	(81,334)	Current Liabilities		(66,234)
(14)	(9)	Long Term Creditors	17	(5)
(2,800)	(2,206)	Provisions	24	(2,063)
(109,668)	(107,329)	Long Term Borrowing	18	(110,095)
(19,996)	(19,196)	Long-Term Liabilities - Ex Avon Debt	26	(18,428)
(144,089)	(196,069)	Pension Liabilities	48	(157,450)
(334)	(222)	Other Long Term Liabilities	45	(100)
(276,901)	(325,031)	Long Term Liabilities		(288,141)
447,816	402,300	Net Assets		374,897
(60,704)	(53,706)	Usable Reserves	27	(56,454)
(387,112)	(348,594)	Unusable Reserves	28	(318,443)
(447,816)	(402,300)	Total Reserves		(374,897)

Cash Flow Statement

31 March 2010 £000		Note	31 March 2011 £000
5,723	Net (surplus) / deficit on the provision of services		(23,504)
(3,570)	Adjustments to the net surplus / deficit on the provision of services for non-cash movements	29.1	17,062
2,594	Adjustments for items included in the provision of services that are investing or financing activities	29.2	3,675
4,747	Net cash flows from Operating Activities	29.3	(2,767)
(11,156)	Investing Activities	29.4	6,933
4,167	Financing Activities	29.5	(2,714)
(2,242)	Net (increase) / decrease in cash and cash equivalents		1,452
(2,004)	Cash and cash equivalents at the beginning of the reporting period		238
238	Cash and cash equivalents at the end of the reporting period	21	(1,214)

Notes to the Statement of Accounts

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The following notes are included to aid the reader in the interpretation of the core financial statements:

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Notes to the Statement of Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2010/2011 and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which are required to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

The Council operates its revenue and capital accounts on an accruals basis; activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately on the face of the Consolidated Income and Expenditure Statement, with supporting notes dependent on the significance of the item(s) to understanding the Council's financial performance.

Notes to the Statement of Accounts

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and any future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made as and when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

To record the cost of holding fixed assets during an accounting period, services, support services and trading accounts are debited with:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is made at the wage or salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensions and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Notes to the Statement of Accounts

The entries in the Statement of Accounts in respect of post employment benefits are made in accordance with *IAS19 Employee Benefits*. Although a complex accounting standard, it is based on the simple principle that an organisation should account for post employment benefits when it is committed to give them, even if the actual giving will be many years into the future. In this way the accounts represent the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pensions Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by Bath & North-East Somerset Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

a) The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme:

- Liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.6%, calculated as a weighted average of "spot yields" on AA rated corporate bonds.
- Assets within the scheme attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – bid price
 - unquoted securities - professional estimate
 - unitised securities - average of the bid and offer rates
 - property - market value
- The change in the net pensions liability is analysed into seven components:

Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in Comprehensive Income and Expenditure Statement to the services for which the employees worked

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Notes to the Statement of Accounts

Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

Contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged only with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

b) Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

c) Somerset and Gloucestershire County Council Schemes

The Council also makes payments to Somerset County Council in respect of pension costs which relate to employees prior to Local Government Reorganisation in 1974. These costs are deemed to represent the current cost of service and are charged to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Notes to the Statement of Accounts

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early resettlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial Assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

a) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principle receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

b) Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Notes to the Statement of Accounts

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market price – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for Sale Reserve

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x. Government Grants and Contributions

Whether paid on account, by instalment or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Notes to the Statement of Accounts

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the 'First In, First Out' costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Notes to the Statement of Accounts

The Authority as Lessee

a) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

b) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Authority as Lessor

a) Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Notes to the Statement of Accounts

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

b) Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under constructions.

Notes to the Statement of Accounts

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. The Capital Adjustment Account provides a balancing mechanism between rate at which assets are depreciated and financed through the capital controls system.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (EUV)

Where there is not market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Revaluation

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The Section 151 Officer obtains an annual appraisal of trends in property values from the Council's Head of Property and Asset Management in respect of the Council's assets. Based on this appraisal a judgement will be made as to whether any amendment to the Council's accounts is required or whether an adjustment is needed to its revaluation programme.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Notes to the Statement of Accounts

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

The Section 151 Officer is provided with an annual statement of any of the Council's assets that suffered an impairment loss during the year.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over the useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where an asset has a finite useful life in its existing use, it will be depreciated based on the valuation of the asset at 1 April each year calculated on the following bases:

- other land and buildings – straight-line allocation over the useful life of the property as estimated by the valuer (between 2 and 60 years)
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (between 1 and 10 years)
- infrastructure – straight-line allocation over the estimated useful life of the asset (between 20 and 60 years)
- surplus assets not held for sale – straight-line allocation over the useful life of the property as estimated by the valuer (between 2 and 60 years)

The remaining life of the Council's assets is determined by the Council's Head of Property and Asset Management or other professional staff under his/her control when the asset is acquired or at the time of five-yearly revaluation. If the existing use of an asset changes at any time or an asset becomes surplus to requirements then its finite useful life will be re-assessed.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Notes to the Statement of Accounts

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

a) Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose

Notes to the Statement of Accounts

existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xviii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. For each reserve established, the purpose, usage and the basis of transactions is clearly identified.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are maintained to manage specific accounting processes for non-current assets, financial instruments, retirement and employee and post employment benefits and do not represent useable resources for the Council – these reserves are explained in the relevant policies.

xix. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is not impact on the level of Council Tax.

xx. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxi. Interest on Internal Balances

In the main, interest on internal balances is only paid where required by statute or where sums have been deposited with the Council for specific purposes, e.g. developers' contributions to developments. The exceptions to this rule are that interest is credited to the Council's insurance reserves and provisions in order to maintain their real value, or where the Council is acting as the accountable body for a partnership of which it is a member.

xxii. Allocation between Current and Non-Current

With the exception of employee entitlements, the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the Council's operational cycle. For employee entitlements, all annual leave entitlement is classified as current.

Notes to the Statement of Accounts

2. **First Time Adoption of International Financial Reporting Standards (IFRS)**

These are the Council's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 April 2009.

The Council's IFRS accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2011, the comparative information and the opening balance sheet at the date of transition.

The Council has applied the IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS compliant financial statements, except in cases where interpretations or adaptations to fit the public sector, have been prescribed by the Code of Practice on Local Authority Accounting (The Code). Material differences between amounts presented under the SORP 2009 and the IFRS-based Code are explained below.

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

2.1 Short Term Accumulating Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue to any annual leave earned but not taken at 31 March each year. Under previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

2.2 Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

For leases entered into after 1 April 2010, where the Council is Lessor, new arrangements will necessitate revenue being accounted for in accordance with the code. However, for existing arrangements prior to that date, where the Council is a Lessor, and where Operating Leases are reclassified to Finance Leases under the Code, statutory guidance permits the amount now recognised as a capital receipt to be retained in the General Fund. Therefore, the Council will report a transfer to the General Fund from the Capital Receipts Reserve in the Movement In Reserves Statement.

Finance Leases – Vehicles, Plant & Equipment (Council is Lessee)

Under previous accounting arrangements certain leases of equipment were classified as operating leases. These leases are finance leases under the IFRS Code. The effect is to increase property, plant and equipment at the date of transition by £688,000 and by £485,000 at 31 March 2010, and to increase finance lease liabilities by £649,000 (of which £315,000 is current) at the date of transition. At 31 March 2010 finance lease liabilities increased by £438,000 (of which £216,000 is current). The effect on the CIES for 2009/10 is to increase depreciation charges by £249,000, increase finance costs by £61,000 and decrease service expenditure by £292,000 (with the lease repayments previously accounted for as operating leases).

Notes to the Statement of Accounts

2.3 Capital Grants and Contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the Opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

2.4 Other

Other movements predominantly relate to reclassifications of Property Plant and Equipment, Investment Property and Surplus Assets not held for disposal and the related revaluation adjustments in respect of those reclassifications.

The tables on the following pages summarise the significant movements described above.

Notes to the Statement of Accounts

Table 1 – Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the date of transition (1 April 2009)

	Previous	Effect of transition to IFRS				IFRS
	GAAP	Absences	Leases	Grants	Other	
	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment						
Other Land and Buildings	579,645	0	0	0	148	579,793
Vehicles, Plant, Furniture and Equipment	7,959	0	688	0	0	8,647
Infrastructure Assets	34,252	0	0	0	0	34,252
Community Assets	2,573	0	0	0	0	2,573
Assets Under Construction	20,079	0	0	0	0	20,079
Surplus Assets not held for sale	4,133	0	0	0	(3,999)	134
Investment Property	5,154	0	0	0	(148)	5,006
Long Term Investments	11,552	0	0	0	0	11,552
Long Term Debtors	1,309	0	175	0	0	1,484
Long Term Assets	666,656	0	863	0	(3,999)	663,520
Short Term Investments	103,061	0	0	0	0	103,061
Inventories	68	0	0	0	0	68
Short Term Debtors	22,382	0	102	0	(533)	21,951
Cash & Cash Equivalents	3,994	0	0	0	(3,994)	0
Current Assets	129,505	0	102	0	(4,527)	125,080
Cash & Cash Equivalents	(5,998)	0	0	0	3,994	(2,004)
Short Term Borrowing	(3,561)	0	0	0	0	(3,561)
Short Term Creditors	(50,692)	(4,234)	(320)	8,659	0	(46,587)
Provisions	0	0	0	0	(1,016)	(1,016)
Capital Grants Receipts in Advance	0	0	0	(10,715)	0	(10,715)
Grants Unapplied	(16,164)	0	0	16,164	0	0
Current Liabilities	(76,415)	(4,234)	(320)	14,108	2,978	(63,883)
Long Term Creditors	0	0	(14)	0	0	(14)
Provisions	(3,816)	0	0	0	1,016	(2,800)
Long Term Borrowing	(109,668)	0	0	0	0	(109,668)
Long-Term Liabilities - Ex Avon Debt	(19,996)	0	0	0	0	(19,996)
Pension Liabilities	(144,089)	0	0	0	0	(144,089)
Other Long Term Liabilities	(372)	0	(334)	0	372	(334)
Capital Grants and Contributions Deferred	(94,466)	0	0	94,466	0	0
Long Term Liabilities	(372,407)	0	(348)	94,466	1,388	(276,901)
NET ASSETS	347,339	(4,234)	297	108,574	(4,160)	447,816
Represented by:						
Usable Reserves	(46,954)	0	(175)	(14,108)	533	(60,704)
Unusable Reserves	(300,385)	4,234	(122)	(94,466)	3,627	(387,112)
TOTAL RESERVES	(347,339)	4,234	(297)	(108,574)	4,160	(447,816)

Notes to the Statement of Accounts

Table 2 – Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the end of the latest period presented in the most recent financial statements (31 March 2010)

	Previous	Effect of transition to IFRS				IFRS
	GAAP	Absences	Leases	Grants	Other	
	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment						
Other Land and Buildings	605,595	0	0	0	(132)	605,463
Vehicles, Plant, Furniture and Equipment	9,261	0	485	0	0	9,746
Infrastructure Assets	47,886	0	0	0	(1,192)	46,694
Community Assets	3,248	0	0	0	0	3,248
Assets Under Construction	7,602	0	0	0	0	7,602
Surplus Assets not held for sale	4,000	0	0	0	(3,999)	1
Investment Property	4,762	0	0	0	1,842	6,604
Long Term Investments	6,666	0	0	0	0	6,666
Long Term Debtors	1,261	0	171	0	0	1,432
Long Term Assets	690,281	0	656	0	(3,481)	687,456
Short Term Investments	90,180	0	0	0	0	90,180
Inventories	91	0	0	0	0	91
Short Term Debtors	31,894	0	75	0	(1,269)	30,700
Cash & Cash Equivalents	238	0	0	0	0	238
Current Assets	122,403	0	75	0	(1,269)	121,209
Short Term Borrowing	(7,563)	0	0	0	0	(7,563)
Short Term Creditors	(49,655)	(4,247)	(221)	6,387	0	(47,736)
Provisions	0	0	0	0	(569)	(569)
Capital Receipts in Advance	(129,801)	0	0	104,335	0	(25,466)
Grants Unapplied	(31,118)	0	0	31,118	0	0
Current Liabilities	(218,137)	(4,247)	(221)	141,840	(569)	(81,334)
Long Term Creditors	0	0	(9)	0	0	(9)
Provisions	(2,775)	0	0	0	569	(2,206)
Long Term Borrowing	(107,329)	0	0	0	0	(107,329)
Long-Term Liabilities - Ex Avon Debt	(19,196)	0	0	0	0	(19,196)
Pension Liabilities	(196,069)	0	0	0	0	(196,069)
Other Long Term Liabilities	0	0	(222)	0	0	(222)
Long Term Liabilities	(325,369)	0	(231)	0	569	(325,031)
NET ASSETS	269,178	(4,247)	279	141,840	(4,750)	402,300
Represented by:						
Usable Reserves	(42,767)	13	(170)	(12,038)	1,256	(53,706)
Unusable Reserves	(226,411)	4,247	(110)	(129,471)	3,151	(348,594)
TOTAL RESERVES	(269,178)	4,260	(280)	(141,509)	4,407	(402,300)

Notes to the Statement of Accounts

Table 3 – Reconciliation to Total Comprehensive Income and Expenditure under IFRS for the latest period in the most recent annual financial statements (Year ended 31 March 2010)

	Previous GAAP £000	Effect of transition to IFRS				IFRS £000
		Absences £000	Leases £000	Grants £000	Other £000	
Central Services to the Public	3,483	(34)	0	(2)	505	3,952
Cultural, Environmental, Regulatory & Planning Services	37,385	(110)	(23)	(1,572)	2,069	37,749
Childrens & Education Services	54,390	153	(20)	3,283	(19)	57,787
Adult Social Care	53,606	4	0	2,523	725	56,858
Highways, Roads & Transport	10,224	0	0	0	(44)	10,180
Other Housing Services	2,901	0	0	199	(198)	2,902
Corporate & Democratic Core	6,696	0	0	0	(532)	6,164
Non Distributed Costs	3,088	0	0	0	(325)	2,763
Net Cost of Continuing Operations	171,773	13	(43)	4,431	2,181	178,355
Other Operating Expenditure	2,881	0	0	0	(789)	2,092
Financing & Investment Income & Expenditure	16,303	0	61	0	(1,670)	14,694
Taxation and non-specific grant income	(152,051)	0	0	(37,367)	0	(189,418)
Surplus / Deficit on the Provision of Services	38,906	13	18	(32,936)	(278)	5,723
Surplus / Deficit on revaluation of non current assets	(7,444)	0	0	0	540	(6,904)
Surplus / Deficit on revaluation of available-for-sale financial assets	77	0	0	0	0	77
Actuarial gains / losses on pension assets and liabilities	46,621	0	0	0	0	46,621
Total Other Comprehensive Income & Expenditure	39,254	0	0	0	540	39,794
TOTAL COMPREHENSIVE INCOME & EXPENDITURE	78,160	13	18	(32,936)	262	45,517

3. Accounting Standards Not Yet Adopted

The Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of adoption by The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) of a new standard that has been issued but is not yet required to be adopted.

The 2011/12 Code introduces a change in accounting policy arising from the adoption of FRS30 Heritage Assets, which will need to be adopted fully in the 2011/12 financial statements. However, the Council is required to disclose the estimated effect of the new standard in these (2010/11) financial statements.

3.1 Heritage Assets

Heritage assets are non-current assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge or culture.

The heritage assets held by the Council are collections of assets and artefacts either exhibited or stored as part of the North Somerset Museum collection. The art works within the collection are currently accounted for at depreciated historical cost and classified as Community Assets within Property, Plant and Equipment in the Balance Sheet. The value in the Balance Sheet at 31 March 2011 for the art work is £200,000.

The remaining assets within the collections are not currently recognised in the financial statements as no information is available on the costs of these assets. However, details are kept for inventory and insurance purposes, with an estimated insurance value of £2,050,000.

Notes to the Statement of Accounts

The Code will require that Heritage Assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of Heritage Assets and this will mean that the Council is able to recognise more of its Heritage Assets in the Balance Sheet.

Whilst the Council anticipates it will be able to recognise more of the collections in the Balance Sheet, it is unlikely to be able to recognise all of these assets within the financial statements as obtaining valuations for some items may be difficult or costly.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There remains uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of services provision.
- In May 2008 the Council deposited £3m with the Icelandic bank Landsbanki which is now in administration. A decision has recently been reached which determined that the Council will have the status of a preferential creditor which will result in the partial recovery of the investment. Legal advice has been obtained to support a judgement that this status will be secured and that 95% of the full amount will be recovered.

5. Assumptions and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, which would bring into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.6m for each year should ever useful lives be decreased in such a way. The Council's assumptions in respect of both impairment of assets and basis of valuations is described in Note 13.5.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £428,678.

Notes to the Statement of Accounts

Arrears

At 31 March 2011, the Council had a balance of sundry debtors for £7.436m. Impairment of doubtful debts is provided at varying levels dependent on the age of debt and experience of collection. However, in the current economic climate it is not certain that such an allowance will be sufficient.

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £280,000 to be set aside as an allowance.

Allowances for bad/doubtful debts (non-financial assets)

Allowances for bad/doubtful debts have been calculated on the following bases:

Rent Allowances and Rent Rebate Overpayments – 100% for outstanding debt more than 1 year, 75% for outstanding debt raised in 2010/11.

Council Tax and National Non-Domestic Rates (Collection Fund) – allowance is based on an analysis of the recovery stage reached by the Council's contractor in collection sums due. These range from a 2% allowance for debt where a bill has only been raised within the last month, a 40% to 45% allowance where a summons has been issued and Liability Order raised, a 75% to 80% allowance where the debtor has been referred to the Bailiffs and a 100% allowance where there is no trace of the debtor concerned.

6. Material Items of Income and Expense

The £28.552m credited to Non Distributed Costs in the Comprehensive Income and Expenditure Statement relates to the past service gain arising from changes in the framework of the Local Government Pension Scheme. Further details on the Scheme are provided in Note 48, page 77.

7. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director of Finance and Resources on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statement and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Statement of Accounts

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments made in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
2010/2011 ADJUSTMENTS	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(29,299)	0	0	29,299
Revaluation losses on Property, Plant and Equipment	(12,235)	0	0	12,235
Movements in the market value of Investment Properties	314	0	0	(314)
Capital grants and contributions applied	32,659	0	0	(32,659)
Revenue expenditure funded from capital under statute	(5,025)	0	0	5,025
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,292)	0	0	4,292
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	5,451	0	0	(5,451)
Capital expenditure charged against General Fund Balances	874	0	0	(874)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,504	0	(1,504)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	130	(130)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,848	(2,848)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	8,438	0	(8,438)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	(34)	0	34
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	777	0	0	(777)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,707	0	0	(7,707)
Employer's pension contributions and direct payments to pensioners payable in the year	15,438	0	0	(15,438)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(837)	0	0	837
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	657	0	0	(657)
TOTAL ADJUSTMENTS	16,541	5,556	(1,374)	(20,723)

Notes to the Statement of Accounts

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
2009/2010 ADJUSTMENTS	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(40,946)	0	0	40,946
Revaluation losses on Property, Plant and Equipment	(1,130)	0	0	1,130
Movements in the market value of Investment Properties	1,670	0	0	(1,670)
Amortisation of intangible assets	0	0	0	0
Capital grants and contributions applied	38,657	0	0	(38,657)
Revenue expenditure funded from capital under statute	(3,691)	0	0	3,691
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	(1,118)	0	0	1,118
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	5,524	0	0	(5,524)
Capital expenditure charged against General Fund Balances	1,234	0	0	(1,234)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	844	0	(844)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	2,256	(2,256)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,550	(2,550)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	4,535	0	(4,535)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	(44)	0	44
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,021)	0	0	1,021
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(20,576)	0	0	20,576
Employer's pension contributions and direct payments to pensioners payable in the year	15,217	0	0	(15,217)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	452	0	0	(452)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)	0	0	13
TOTAL ADJUSTMENTS	(2,347)	1,941	1,412	(1,006)

Notes to the Statement of Accounts

9. Transfers To / From Earmarked Reserves

Earmarked Revenue Reserves result from events which have allowed funds to be set aside, surpluses generated from trading undertakings, or decisions causing anticipated expenditure to have been delayed, postponed or cancelled.

For each Reserve established the Council identifies

- the reason / purpose of the reserve
- how and when the reserve can be used
- procedures for the management and control of the reserve
- a process and timescale for review to ensure continuing relevance and adequacy.

The Council also holds Earmarked Capital Reserves. They have been established on the same basis as the revenue reserves described above, but have been created specifically for future investment on capital schemes and projects. However, a degree of flexibility is retained in their treatment depending on prevailing budget conditions.

	<i>Balance</i>			<i>Balance</i>			<i>Balance</i>
	<i>1 April</i>	<i>Transfers</i>	<i>Transfers</i>	<i>31 March</i>	<i>Transfers</i>	<i>Transfers</i>	<i>31</i>
	<i>2009</i>	<i>Out</i>	<i>In</i>	<i>2010</i>	<i>Out</i>	<i>In</i>	<i>March</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>2011</i>
							<i>£000</i>
Earmarked Revenue Reserves							
<u>Corporate Reserves</u>							
Insurance Reserves	(3,745)	662	(329)	(3,412)	180	(358)	(3,590)
Other Corporate Reserves	(1,665)	315	(971)	(2,321)	774	(3)	(1,550)
<u>Directorate Reserves</u>							
Adult Social Services & Housing	(614)	311	0	(303)	229	(1,674)	(1,748)
Children & Young Peoples' Services	(81)	59	(297)	(319)	235	(1,956)	(2,040)
Corporate Services Unit	(779)	363	(231)	(647)	106	(2,384)	(2,925)
Development & Environment	(1,486)	1,125	(1,299)	(1,660)	1,148	(2,699)	(3,211)
Finance & Resources	(1,301)	330	(1,027)	(1,998)	1,472	(999)	(1,525)
Sold Flats Sinking Fund (ex-HRA)	(446)	0	(56)	(502)	0	(59)	(561)
<u>Directorate Earmarked Revenue Grants Reserves</u>							
Adult Social Services & Housing	(3,097)	2,670	(97)	(524)	91	(1)	(434)
Children & Young Peoples' Services	(936)	1,412	(1,426)	(950)	48	(155)	(1,057)
Corporate Services Unit	(44)	0	(190)	(234)	190	0	(44)
Development & Environment	(6,360)	1,524	(3,328)	(8,164)	3,302	(2,024)	(6,886)
Finance & Resources	(93)	110	(17)	0	0	0	0
Total Earmarked Revenue Reserves	(20,647)	8,881	(9,268)	(21,034)	7,775	(12,312)	(25,571)
Earmarked Capital Reserves							
General Capital Reserve	(3,255)	0	0	(3,255)	0	0	(3,255)
Earmarked Capital Reserve	(872)	327	0	(545)	328	0	(217)
Major Repairs Reserve	(7)	7	0	0	0	0	0
Total Earmarked Capital Reserves	(4,134)	334	0	(3,800)	328	0	(3,472)

Notes to the Statement of Accounts

The purpose of each of the above reserves is as follows:

Reserve	Purpose
Insurance Reserves	See Note 25, Page 50
Other Corporate Reserves	Major items include the Environmental Warranties Reserve and the Financial Impairment Reserve.
Adult Social Services & Housing Reserves	The major reserve relates to funding for the Electronic Data Records Management (EDRM) project within the directorate.
Children & Young Peoples' Services Reserves	Includes carried forward surpluses created by trading services and funding for ICT projects.
Corporate Services Unit Reserves	Includes a reserve accumulated over 4 years to finance the Council's district election costs which results in a smoothing of the budget requirement over the period.
Development & Environment Reserves	Major reserves include partnership monies held under the Council's role as accountable body, as well as essential health and safety and maintenance works.
Finance & Resources Reserves	The largest reserve held by the directorate relates to anticipated future costs arising in the areas of Revenues and Benefits and Property and Asset Management.
Sold Flats Sinking Fund (ex-HRA)	Monies held in sinking funds to be used for repairs at leasehold properties.
Directorate Earmarked Revenue Grants Reserves	Balances of revenue grants received for specific projects which are yet to be applied.
General Capital Reserve	A general reserve available to finance approved capital expenditure.
Earmarked Capital Reserve	A number of specific capital reserves earmarked for use in delivery of approved capital investment projects.
Major Repairs Reserve	The residual balance of a specific capital reserve earmarked for financing approved capital projects.(now incorporated into the General Capital Reserve).

10. Other Operating Expenditure

	2009/10 £000	2010/11 £000
Parish Council Precepts	3,301	3,418
Other Precepts and Levies	235	244
Payments to the Government Housing Capital Receipts Pool	33	24
(Gains) / losses on the disposal of non-current assets	(1,476)	1,455
Total	2,093	5,141

11. Financing and Investment Income and Expenditure

	2009/10 £000	2010/11 £000
Interest payable and similar charges	7,615	7,095
Pension interest cost and expected return on pensions assets	11,967	8,460
Interest receivable and similar income	(3,218)	(1,820)
Income and expenditure in relation to Investment Properties and changes in their fair value	(1,670)	(314)
Other financing & investment income and expenditure	0	25
Total	14,694	13,446

Notes to the Statement of Accounts

12. Taxation and Non-Specific Grant Income

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Council Tax income	(90,504)	(93,375)
Non-domestic rates	(40,827)	(45,385)
Non-ringfenced government grants	(20,676)	(22,037)
Capital grants and contributions	(37,411)	(34,916)
Total	(189,418)	(195,713)

The total for non-ringfenced government grants is comprised of:

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Revenue Support Grant	(9,423)	(6,590)
Area Based Grant	(11,058)	(15,447)
Local Authority Business Growth Incentive	(195)	0
Total	(20,676)	(22,037)

During the year the Council agreed to fund service expenditure from Area Based Grant as follows:

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Development and Environment	1,248	919
Adult Social Services	5,145	10,571
Children and Young Peoples Services	4,565	3,783
Other Priorities	100	174
Total	11,058	15,447

Notes to the Statement of Accounts

13. Property, Plant and Equipment

13.1 Movement on Balances

	<i>Land & Buildings</i>	<i>Infrastructure Assets</i>	<i>Community Assets</i>	<i>Vehicles, Plant & Equipment</i>	<i>Assets Under Construction</i>	<i>Surplus Assets</i>	<i>Total Property, Plant & Equipment</i>
Movements in 2010/2011	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or Valuation							
At 1 April 2010	668,958	59,304	3,943	17,741	7,602	1	757,549
Additions	29,321	17,364	606	5,072	0	0	52,363
Revaluations - Revaluation Reserve	(91,077)	0	0	0	0	0	(91,077)
Revaluations - CI&ES	(12,206)	0	(3)	0	0	0	(12,209)
Derecognition - disposals	(2,500)	0	0	(704)	0	0	(3,204)
Reclassified (to) / from Held for Sale	(1,633)	0	0	0	0	0	(1,633)
Other movements in cost or valuation	7,602	0	0	0	(7,602)	(1)	(1)
At 31 March 2011	598,465	76,668	4,546	22,109	0	0	701,788
Accumulated Depreciation & Impairment							
At 1 April 2010	(63,495)	(12,610)	(695)	(7,995)	0	0	(84,795)
Depreciation for the year	(20,277)	(1,430)	(38)	(1,802)	0	0	(23,547)
Depreciation written out - Revaluation Reserve	26,247	0	0	0	0	0	26,247
Impairment (Losses) / Reversals - Revaluation Reserve	(1,542)	0	0	0	0	0	(1,542)
Impairment (Losses) / Reversals - CI&ES	(1,496)	(4,256)	0	0	0	0	(5,752)
Derecognition - disposals	21	0	0	704	0	0	725
Other movements in depreciation & impairment	7	0	0	0	0	0	7
At 31 March 2011	(60,535)	(18,296)	(733)	(9,093)	0	0	(88,657)
Net Book Value at 1 April 2010	605,463	46,694	3,248	9,746	7,602	1	672,754
Net Book Value at 31 March 2011	537,930	58,372	3,813	13,016	0	0	613,131

Notes to the Statement of Accounts

	Land & Buildings	Infrastructure Assets	Community Assets	Vehicles, Plant & Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Movements in 2009/2010							
Cost or Valuation							
At 1 April 2009	612,057	42,201	3,188	15,067	20,079	134	692,726
Additions	36,677	17,103	372	2,674	6,638	0	63,464
Revaluations - Revaluation Reserve	3,047	0	383	0	0	86	3,516
Revaluations - CI&ES	(1,130)	0	0	0	0	0	(1,130)
Derecognition - disposals	(1,027)	0	0	0	0	0	(1,027)
Other movements in cost or valuation	19,334	0	0	0	(19,115)	(219)	0
At 31 March 2010	668,958	59,304	3,943	17,741	7,602	1	757,549
Accumulated Depreciation & Impairment							
At 1 April 2009	(32,264)	(7,949)	(615)	(6,420)	0	0	(47,248)
Depreciation for the year	(30,728)	(1,192)	(37)	(1,575)	0	0	(33,532)
Depreciation written out - Revaluation Reserve	3,888	0	0	0	0	0	3,888
Impairment (Losses) / Reversals - Revaluation Reserve	(316)	0	0	0	0	0	(316)
Impairment (Losses) / Reversals - CI&ES	(4,086)	(3,469)	(43)	0	0	0	(7,598)
Derecognition - disposals	11	0	0	0	0	0	11
At 31 March 2010	(63,495)	(12,610)	(695)	(7,995)	0	0	(84,795)
Net Book Value at 1 April 2009	579,793	34,252	2,573	8,647	20,079	134	645,478
Net Book Value at 31 March 2010	605,463	46,694	3,248	9,746	7,602	1	672,754

Notes to the Statement of Accounts

13.2 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- other land and buildings – between 2 and 60 years
- vehicles, plant, furniture and equipment – between 1 and 10 years
- infrastructure – between 20 and 60 years
- surplus assets not held for sale – between 2 and 60 years

Depreciation has been charged in year to the following services:

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Development and Environment	4,896	4,881
Children & Young People's Services	27,554	17,444
Housing General Fund	63	37
Finance & Resources and Corporate Services	799	1,013
Adult Social Services	220	172
Total Depreciation	33,532	23,547

13.3 Capital Commitments

At 31 March 2011, the Council had entered into a number of contracts for the construction or enhancement of Plant, Property and Equipment in 2011/12 and future years. Similar commitments as at 31 March 2010 totalled £10.588 million.

The major commitments are:

	<i>Period of Investment</i>	<i>Commitment</i>
		<i>£000</i>
Birdwell School	2009/12	1,732
Trinity School	2010/12	1,360
Backwell School	2010/12	1,308
Gordano School	2010/12	1,329

13.4 Effects of Changes in Estimates

As a result of significant fluctuations within various parts of the economy since 2008/09, the Council's property specialists have continued to review the asset portfolio in order to consider the impacts of the specific valuation indices and cost factors relevant to the local area, and compare these to the carrying value held within the Asset Register.

The results of this work together with valuations undertaken as part of the rolling revaluation programme (see Note 13.5) have been reflected in the movements disclosed. In using professionally qualified staff, either employed or contracted, the Council considers that the opportunity for material error relating to valuations is minimal. However, given the carrying values of long term assets in the balance sheet, any mis-statement is likely to be considered significant.

Notes to the Statement of Accounts

13.5 Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of Land & Buildings are carried out by the Council's Head of Property and Asset Management A.R.I.C.S. The basis for valuation is set out in the Accounting Policies (see Note 1, xvi on page 23).

	<i>Land & Buildings</i> £000	<i>Infrastructure Assets</i> £000	<i>Community Assets</i> £000	<i>Vehicles, Plant & Equipment</i> £000	<i>Investment Properties</i> £000	<i>Total</i> £000
Valued at Historical Cost	36,085	58,372	2,538	13,016	0	110,011
Valued at Current Value in year						
2010/11	350,584	0	0	0	6,122	356,706
2009/10	9,448	0	333	0	140	9,921
2008/09	111,013	0	280	0	0	111,293
2007/08	12,912	0	9	0	0	12,921
2006/07	14,079	0	271	0	0	14,350
2005/06, or prior	3,809	0	382	0	0	4,191
Total	537,930	58,372	3,813	13,016	6,262	619,393

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Rental income from investment property received in the year was £280,000 (2009/10 - £204,000). There are no direct operating expenses arising from these properties.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	<i>2009/10</i> £000	<i>2010/11</i> £000
Balance at 1 April	5,006	6,604
Additions:		
- Subsequent Expenditure	31	167
Disposals	(103)	(823)
Net gains / losses from fair value adjustments	1,670	314
Balance at 31 March	6,604	6,262

Notes to the Statement of Accounts

15. Long Term Investments

The Council's long term investments consist of:

	2009/10		2010/11
	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Available for Sale Investment	0	1,402	1,401
Externally Managed Investments	0	3,008	6,057
Internally Managed Investments	11,551	2,254	5,765
Repair & Renewal Fund - 3.5% Conversion Stock	1	1	1
Total Long Term Investments	11,552	6,665	13,224

16. Long Term Debtors

The following are included in the Council's long term debtors:

	2009/10		2010/11
	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Mortgages	361	317	292
Housing Long Term Debtors	10	10	0
Other Long Term Debtors	935	937	1,194
	<u>1,306</u>	<u>1,264</u>	<u>1,486</u>
Car Loans to Employees	5	0	0
Allowance for Doubtful Debts	(2)	0	0
Total Long Term Debtors - Loans and Receivables (Note 18)	<u>1,309</u>	<u>1,264</u>	<u>1,486</u>
Operating Lease Incentives	175	171	168
Total Long Term Debtors - Balance Sheet	<u>1,484</u>	<u>1,435</u>	<u>1,654</u>

17. Long Term Creditors

The long-term creditor represents a lease incentive where the Council, as a lessee, has received a rent free period or reduced rentals early on in the lease term. Under IFRS, the lease payments are charged to the Comprehensive Income and Expenditure Statement equally over the lease term with the resultant impact as noted above. The property lease incentive will be fully written out by June 2013.

Notes to the Statement of Accounts

18. Financial Instruments

18.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	<i>Long Term</i>			<i>Current</i>		
	<i>1 April 2009 £000</i>	<i>31 March 2010 £000</i>	<i>31 March 2011 £000</i>	<i>1 April 2009 £000</i>	<i>31 March 2010 £000</i>	<i>31 March 2011 £000</i>
Investments						
Loans and receivables	11,552	5,263	11,823	88,634	78,965	54,232
Available-for-sale financial assets	0	1,402	1,401	14,427	11,215	10,507
	<u>11,552</u>	<u>6,665</u>	<u>13,224</u>	<u>103,061</u>	<u>90,180</u>	<u>64,739</u>
Debtors						
Loans and receivables	1,309	1,261	1,484	0	0	0
Financial assets carried at contract amounts	0	0	0	4,172	3,729	7,436
	<u>1,309</u>	<u>1,261</u>	<u>1,484</u>	<u>4,172</u>	<u>3,729</u>	<u>7,436</u>
Total Financial Assets	<u>12,861</u>	<u>7,926</u>	<u>14,708</u>	<u>107,233</u>	<u>93,909</u>	<u>72,175</u>
Borrowings						
Financial liabilities at amortised cost	(109,598)	(107,282)	(110,072)	(3,537)	(7,540)	(6,579)
Credit Cover arrangements (Leases)	(70)	(47)	(24)	(24)	(23)	(24)
	<u>(109,668)</u>	<u>(107,329)</u>	<u>(110,096)</u>	<u>(3,561)</u>	<u>(7,563)</u>	<u>(6,603)</u>
Creditors						
Financial liabilities carried at contract amounts	0	0	0	(1,312)	(1,451)	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,312)</u>	<u>(1,451)</u>	<u>0</u>
Total Financial Liabilities	<u>(109,668)</u>	<u>(107,329)</u>	<u>(110,096)</u>	<u>(4,873)</u>	<u>(9,014)</u>	<u>(6,603)</u>

Due to implementation of a new financial management system from 1 April 2011, all current creditor financial liabilities were cleared prior to the Balance Sheet date.

18.2 Events with Material Effect - Impairment of Financial Assets

Impairment of Deposits with Icelandic Banks

Early in October 2008, several Icelandic banks collapsed and went into administration. North Somerset Council had one investment of £3m deposited in Landsbanki, which was due to mature on 28 November 2008. All monies continue to remain subject to the respective legal administration and receivership processes.

The current situation with regards to the recovery of the sums deposited, and therefore the financial effect on each investment does vary between the banking institutions. Previous valuations of the remaining assets and liabilities of Landsbanki Bank indicated that some recovery of the investment was likely, however the level of recovery was still subject to decisions to be determined by the Icelandic Courts, the primary issue being the assumption that local authority deposits with the banks had priority creditor status, and would therefore be repaid ahead of any creditors that did not have priority status.

The latest information available to the Council was provided by the Reykjavik District Court when they issued a verdict on 1 April 2011 confirming the local authorities' claims qualified for priority creditor status under Article 112 of the Icelandic Bankruptcy legislation.

Based upon the latest valuation information available, together with the Reykjavik Court decision, the Council does consider that it is still appropriate to reflect an impairment adjustment for the investment, and the Accounts have been prepared reflecting a recovery rate of 95%. However the District Court rulings are being appealed to the Icelandic Supreme Court meaning that this is not yet definitive.

Notes to the Statement of Accounts

Recoveries are expressed as a percentage of the Council's claim in the administration process, and which are based upon the value of the matured deposit together with interest at the contractual rate, for the period from maturity to 22 April 2009. The District Court also confirmed this position in relation to interest in the local authorities favour.

All decisions relating to the amounts and timings of repayments will be made by the resolution committee when a final conclusion has been reached through the legal process, and it is likely that further adjustments will be made to the Accounts in future years. However in calculating the impairment assessment, the Council has anticipated phased repayments will be received between December 2011 and December 2018.

18.3 Income, Expense, Gains and Losses

2009/10				2010/11		
<i>Financial Assets</i>		<i>Financial Liabilities carried at Amortised Cost</i>		<i>Financial Assets</i>		<i>Financial Liabilities carried at Amortised Cost</i>
<i>Loans & Receivables</i>	<i>Available-for-Sale</i>			<i>Loans & Receivables</i>	<i>Available-for-Sale</i>	
0	0	6,375	Interest expense	0	0	6,412
0	77	0	Losses on derecognition	0	7	0
462	0	0	Impairment losses	25	0	0
462	77	6,375	Total expense in Surplus or Deficit on the Provision of Services	25	7	6,412
(2,938)	(280)	0	Interest income	(1,542)	(112)	0
0	0	0	Interest income accrued on impaired financial assets	(139)	0	0
(2,938)	(280)	0	Total income in Surplus or Deficit on the Provision of Services	(1,681)	(112)	0
(2,476)	(203)	6,375	Net Gain / (Loss) for the Year	(1,656)	(105)	6,412

18.4 Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment dates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures
- The fair values of non-PWLB debt have been calculated using the same procedures and interest rates, which provide a reasonable approximation for the fair value of these instruments
- For investments maturing after 12 months of the balance sheet date, prevailing benchmark market rates have been applied to provide the fair value
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

Notes to the Statement of Accounts

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities	114,892	120,864	116,698	126,391
Financial Assets	85,489	1,261	67,541	67,717

The fair value of financial liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates].

The fair value of financial assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

Available for sale assets are carried in the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

19. Inventories

The table below shows the movement in inventories during the year:

	Balance at 1 April £000	Purchases £000	Sales £000	Written Off £000	Balance at 31 March £000
<u>Movements in 2010/2011</u>					
Bar and Catering Stock	32	37	(46)	0	23
Controlled Stationery	14	10	(14)	3	13
Green Sacks	45	25	(40)	0	30
	91	72	(100)	3	66
<u>Movements in 2009/2010</u>					
Bar and Catering Stock	33	0	(1)	0	32
Controlled Stationery	17	0	(3)	0	14
Green Sacks	18	27	0	0	45
	68	27	(4)	0	91

Notes to the Statement of Accounts

20. Debtors

	2009/10		2010/11
	1 April	31 March	31 March
	2009	2010	2011
	£000	£000	£000
Central Government Bodies	5,891	12,045	9,262
Other Local Authorities	256	466	360
NHS Bodies	300	1,138	2,116
Public Corporations and Trading Funds	2,688	62	0
Other Entities and Individuals	10,995	11,102	13,104
Total Short Term Debtors	20,130	24,813	24,842
Prepayments	1,821	5,887	4,745
Total Short Term Debtors and Prepayments	21,951	30,700	29,587

21. Cash and Cash Equivalents

	2009/10		2010/11
	1 April	31 March	31 March
	2009	2010	2011
	£000	£000	£000
Cash held by the Council	12	12	19
Bank current accounts	(2,016)	226	(1,233)
Short-term deposits with Building Societies	0	0	0
Total Cash and Cash Equivalents	(2,004)	238	(1,214)

22. Assets Held For Sale

	Current Assets	
	31 March	31 March
	2010	2011
	£000	£000
Balance at 1 April	0	0
Assets newly classified as held for sale - Property Plant and Equipment	0	1,633
Revaluation gains / losses	0	(26)
Assets sold	0	(998)
Balance at 31 March	0	609

Notes to the Statement of Accounts

23. Creditors

	2009/10		2010/11
	1 April	31 March	31 March
	2009	2010	2011
	£000	£000	£000
Central Government bodies	(13,826)	(8,228)	(5,779)
Other Local Authorities	(74)	(838)	(4,075)
NHS Bodies	(5,088)	(589)	(1,534)
Public Corporations and Trading Funds	(2)	0	(75)
Other Entities and Individuals	(27,282)	(37,866)	(30,995)
Total Short Term Creditors	(46,272)	(47,521)	(42,458)
Finance lease obligations due within 12 months	(315)	(216)	(138)
Total Short Term Creditors including finance lease obligations	(46,587)	(47,737)	(42,596)

24. Provisions

This heading reflects monies held where the Council has an obligation which is likely to lead to a payment but the exact amount and timing of the payment is unknown.

	Balance 1 April 2009	Additional provisions made	Amounts used	Balance 31 March 2010	Additional provisions made	Amounts used	Balance 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Insurance Provisions							
- General Fund	(2,322)	(469)	805	(1,986)	(402)	468	(1,920)
- Sheltered Leasehold	(37)	(29)	0	(66)	(12)	22	(56)
- Housing	(8)	(1)	1	(8)	0	4	(4)
NNDR Revaluation Provision	(370)	(141)	115	(396)	(102)	252	(246)
CSU HR Data Cleansing Provision	(30)	0	0	(30)	0	30	0
CSU Customer Delivery Provision	(35)	0	0	(35)	0	0	(35)
D&E LPSA Provisions	(95)	0	46	(49)	0	26	(23)
D&E IT Data Capture and Projects	(34)	0	18	(16)	0	0	(16)
D&E Planning Appeals Provision	(164)	(80)	78	(166)	(99)	53	(212)
ASS&H Homecare Provision	0	(18)	0	(18)	0	0	(18)
ASS&H Homelessness Review	(5)	0	0	(5)	(5)	0	(10)
F&R Legal Costs	0	0	0	0	(1,065)	0	(1,065)
F&R Severance Costs	0	0	0	0	(969)	0	(969)
Totals	(3,100)	(738)	1,063	(2,775)	(2,654)	855	(4,574)
Expected future timing of associated outflows of economic benefit:							
Less than 1 year							2,511
Over 1 year, less than 5 years						1,812	
Over 5 years, less than 10 years						251	2,063
							4,574

Notes to the Statement of Accounts

<i>Provision</i>	<i>Description</i>
Insurance Provisions	Provisions set-aside to finance the estimated costs of reported insurance claims
NNDR Revaluation Provision	Provision set-aside to finance the costs associated with the delivery of past NNDR Revaluations
CSU Provisions	Provisions set-aside to finance previous back-office service delivery projects
Planning Appeals Provision	Provision set-aside to finance the estimated costs of known planning appeals
Other D&E Provisions	Provisions set-aside to finance previous service delivery projects
Housing Provisions	Provision set-aside to finance the costs associated with the homelessness review, and the severance costs of the homecare service transition project
F&R Provisions	Severance costs : set aside for decisions made prior to the Balance Sheet date to terminate officers employment
	Legal costs : provision for un-recoverable legal costs incurred pursuing collection of

The most significant provision relates to insurance claims. These claims have been reported to the Council and financially assessed by either the Council's in-house team, or by the specialist claims handlers who estimate a reserve, or future financial cost, based upon the individual case facts and current industry sector guidelines. The provision above reflects the current value of all claims reserves, with no additional costs during the year arising from the increased passage of time or changes in the discount rate. The volume and the values of insurance claims can vary on an annual basis, and an element of these costs can be correlated to the condition of the Council's infrastructure network. Recent investment in this area has resulted in decreases to claims, and therefore the value of the provision.

25. Insurance Provisions and Reserves

The insurance provisions and reserves balance stood at £5.570m as at 31 March 2011. Identified outstanding potential commitments at this date stand at approximately £1.980m and are reflected in the insurance provisions shown in Note 24 above. However, as always with insurance claims, they can take time to materialise and therefore the Council has set-aside reserves totalling £3.590m to meet any further potential claims yet to be reported.

The Council generally insures its portfolio of properties for most of the major perils but bears the first £100,000 (i.e. excess) of claims. This excess is paid from the Council's insurance reserves subject to a total 'stop-loss' for all claims of £300,000 for the year, i.e. the total call on the reserves in any one year is limited to this amount. The movement in this reserve is shown in Note 9, page 37.

The Council's liability insurances are generally subject to an excess of £50,000 for all claims payable from the Insurance Reserves, but once again this is subject to a 'stop-loss' of £1.1m for the year. Motor claims are traditionally insured but subject to an excess of £250 for accidental damage.

The major areas of risk not covered either by external insurance policies or the internal insurance fund are as follows:

- Spontaneous combustion
- Asbestosis
- Accidental damage unless specifically referred to on the "All Risks" cover
- Theft or damage to property in the open
- Infrastructure (roads, bridges, street furniture, sea defences etc.).

Any costs arising from such risks are charged to the relevant accounts of the council.

Notes to the Statement of Accounts

The Council's insurance arrangements for 2010/11 include a 'stop-loss' facility for both liability and property insurance policies. This means that the Council's own financial liabilities arising from the payments of excesses is limited, or capped, at a specified level. Each insurance year has its own stop-loss limit.

26. Ex-Avon County Council Debt (Long Term Liabilities)

Following Local Government Reorganisation, the responsibility for administering Avon County Council's outstanding debt was transferred to Bristol City Council. All the unitary authorities in the ex-Avon area make annual contributions equivalent to principal and interest towards the long-term debts.

It should be noted that the North Somerset Council share of the former Avon County debt figures shown below, are incorporated within the Council's Long-Term Liabilities on the Balance Sheet.

	2009/10		2010/11
	1 April	31 March	31 March
	2009	2010	2011
	£000	£000	£000
Total Avon CC Debt Outstanding	103,687	99,540	95,558
<u>North Somerset Share of LGR Debt Outstanding</u>	19,523	18,742	17,993
Total Interest Paid in Year	0	1,076	847
Avon Debt Repayments - Minimum Revenue Provision	0	781	750
<u>NSC Share of Converted Debt Rescheduling Costs</u>	472	453	435
Interest Paid in Year	0	26	20
Avon Debt Restructuring Repayments - Minimum Revenue Provision	0	19	18
<u>NSC Share of Other Debt Rescheduling Costs Outstanding</u>			
Interest Paid in Year	0	4	35
Premiums & Discounts in Year	0	(5)	14
<u>Total for both LGR and Debt Restructuring</u>			
North Somerset Debt Outstanding	19,996	19,196	18,428
Interest Paid in Year	0	1,106	903
Premiums & Discounts in Year	0	(5)	14
Debt Repayments - Minimum Revenue Provision	0	800	768

27. Useable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement (page 9) and Notes 8 and 9 (pages 35 to 37).

Notes to the Statement of Accounts

28. Unusable Reserves

28.1 Summary of Unusable Reserves

	<i>Balance 1 April 2010</i>	<i>Net Movement in Year</i>	<i>Balance 31 March 2011</i>	<i>Further Details</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	
<u>Revaluation Balances</u>				
Revaluation Reserve	(325,089)	78,116	(246,973)	Note 28.2
Available-for-Sale Financial Instruments Reserve	(8)	7	(1)	Note 28.3
	(325,097)	78,123	(246,974)	
<u>Adjustment Balances</u>				
Capital Adjustment Account	(223,525)	(8,791)	(232,316)	Note 28.4
Financial Instruments Adjustment Account	1,463	(777)	686	Note 28.5
Collection Fund Adjustment Account	(1,420)	837	(583)	Note 28.6
Pensions Reserve	196,069	(38,618)	157,451	Note 28.7
Accumulated Absences Account	4,247	(657)	3,590	Note 28.8
Deferred Capital Receipts Reserve	(330)	33	(297)	Note 28.9
	(23,496)	(47,973)	(71,469)	
Total Unusable Reserves	(348,593)	30,150	(318,443)	

	<i>Balance 1 April 2009</i>	<i>Net Movement in Year</i>	<i>Balance 31 March 2010</i>	<i>Further Details</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	
<u>Revaluation Balances</u>				
Revaluation Reserve	(336,256)	11,167	(325,089)	Note 28.2
Available-for-Sale Financial Instruments Reserve	(85)	77	(8)	Note 28.3
	(336,341)	11,244	(325,097)	
<u>Adjustment Balances</u>				
Capital Adjustment Account	(198,196)	(25,329)	(223,525)	Note 28.4
Financial Instruments Adjustment Account	442	1,022	1,464	Note 28.5
Collection Fund Adjustment Account	(968)	(452)	(1,420)	Note 28.6
Pensions Reserve	144,089	51,980	196,069	Note 28.7
Accumulated Absences Account	4,234	13	4,247	Note 28.8
Deferred Capital Receipts Reserve	(372)	42	(330)	Note 28.9
	(50,771)	27,276	(23,495)	
Total Unusable Reserves	(387,112)	38,520	(348,592)	

Notes to the Statement of Accounts

28.2 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	(336,256)	(325,089)
Upward revaluation of assets	(7,404)	(16,083)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	316	80,914
Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(7,088)	64,831
Difference between fair value depreciation and historical cost depreciation	17,893	10,122
Accumulated gains on assets sold or scrapped	362	3,163
Amount written off to the Capital Adjustment Account	18,255	13,285
Balance carried forward - 31 March	(325,089)	(246,973)

28.3 Available-for-Sale Financial Instruments Reserve

This Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	(85)	(8)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	77	7
Balance carried forward - 31 March	(8)	(1)

Notes to the Statement of Accounts

28.4 Capital Adjustment Account

The balance on the Account represents timing differences arising from the difference arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction or enhancement.

The Account contains accumulated gains and losses on Investment Property and gains recognised on donated assets that have yet to be consumed by the Authority; revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007 (the date the Revaluation Reserve was created) are also contained in the Account.

2009/10 £000		2010/11 £000
(198,195)	Balance brought forward - 1 April	(223,523)
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>	
33,532	Charges for depreciation of non-current assets	23,547
7,598	Charges for impairment of non-current assets	5,752
1,130	Revaluation losses on Property, Plant and Equipment	12,235
0	Amortisation of intangible assets	0
3,691	Revenue expenditure funded from capital under statute	5,025
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
756		2,486
46,707		49,045
(17,892)	Adjusting amounts written out of the Revaluation Reserve	(9,938)
28,815	Net written out amount of the cost of non-current assets consumed in the year	39,107
	<u>Capital financing applied in the year</u>	
(4,535)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8,438)
(2,256)	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(32,660)
(38,656)	Application of grants to capital financing from the Capital Grants Unapplied Account	(129)
(5,524)	Statutory provision for the financing of capital investment charged against the General Fund Balance	(5,452)
(1,502)	Capital expenditure charged against the General Fund Balance	(907)
(52,473)		(47,586)
(1,670)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(314)
(223,523)	Balance carried forward - 31 March	(232,316)

A credit balance on the Account shows that capital finance has been set aside at a faster rate than fixed assets have been consumed, and the Council has a nominal surplus when comparing financing to consumption of resources.

A debit balance on the Account shows that fixed assets have been consumed in advance of their being financed, and the Council has a nominal deficit when comparing financing to consumption of resources.

Notes to the Statement of Accounts

28.5 Financial Instruments Adjustment Account

This Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	442	1,464
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement	304	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	(31)
Net gains or losses written-off as impairment and charged to the Comprehensive Income & Expenditure Statement	718	0
Impairment incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	(746)
Balance carried forward - 31 March	1,464	687

28.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	(968)	(1,420)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is difference from Council Tax income calculated for the year in accordance with statutory requirements	(452)	837
Balance carried forward - 31 March	(1,420)	(583)

Notes to the Statement of Accounts

28.7 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	144,089	196,069
Actuarial (gains) or losses on pensions assets and liabilities	46,622	(15,473)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	20,575	(7,707)
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,217)	(15,438)
Balance carried forward - 31 March	196,069	157,451

The amounts shown above bring together adjustments for both the Local Government Pension Scheme (Note 48.2, page 78) and Unfunded Teachers' Discretionary Benefits (Note 48.3, page 82) as follows:

	2010/11	
	Local Government Pension Scheme £000	Teachers' Discretionary Benefits £000
Balance brought forward - 1 April	169,840	26,229
Actuarial (gains) or losses on pensions assets and liabilities	(14,897)	(576)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,871)	164
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,741)	(1,697)
Balance carried forward - 31 March	133,331	24,120

Notes to the Statement of Accounts

28.8 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing from compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	4,234	4,247
Settlement or cancellation of accrual made at the end of the preceding year	(4,234)	(4,247)
Amounts accrued at the end of the current year	4,247	3,590
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	13	(657)
Balance carried forward - 31 March	4,247	3,590

28.9 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2009/10 £000	2010/11 £000
Balance at 1 April	(372)	(330)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	42	34
Balance carried forward - 31 March	(330)	(296)

Notes to the Statement of Accounts

29. Notes to the Cash Flow Statement

29.1 Adjustments to the net (surplus) / deficit on the provision of services for non-cash movements

	2009/10 £000	2010/11 £000	
Depreciation and impairment	(42,077)	(41,534)	2 9 . 2 Adjustments for items included in the surplus or deficit on provision of services that are investing and financing activities
(Increase) in impairment allowance for bad debts	(256)	(639)	
(Increase)/decrease in creditors	5,138	7,838	
Increase/(decrease) in debtors	2,547	(880)	
Increase/(decrease) in inventories	23	(25)	
Pension liability	(5,358)	23,145	
Carrying amount of non current assets sold	(1,118)	(4,292)	
Provisions	1,040	(1,799)	
Movements in the value of investment properties	1,670	314	
Grants applied to the financing of capital expenditure	32,594	34,162	
Other non-cash items charged to the net surplus or deficit on the provision of services	2,227	772	
Net adjustments for non-cash movements	(3,570)	17,062	

	2009/10 £000	2010/11 £000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,594	3,675

Notes to the Statement of Accounts

29.3 Operating Activities

The cash flows for operating activities include the following:

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Interest received	(4,572)	(2,879)
Interest paid	7,324	7,297

29.4 Investing Activities

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Purchase of property, plant and equipment, investment property and intangible assets	63,448	49,645
Purchase of short-term and long-term investments	70,901	225,908
Proceedss from the sale of property, plant and equipment, investment property and intangible assets	(2,594)	(2,882)
Proceeds from short-term and long-term investments	(87,010)	(243,705)
Other receipts from investing activities	(55,901)	(22,033)
Net cash flows from Investing Activities	(11,156)	6,933

29.5 Financing Activities

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Cash receipts of short- and long-term borrowing	(18,704)	(8,951)
Cash payments for the reduction of the outstanding liabilities relating to finance lease	237	160
Repayments of short- and long-term borrowing	17,841	7,120
Other payments for financing activities	4,793	(1,043)
Net cash flows from Financing Activities	4,167	(2,714)

Notes to the Statement of Accounts

30. Segment Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Executive on the basis of budget reports analysed across service directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure; depreciation, revaluation and impairment losses are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows – i.e. payment of employer's pensions contributions rather than the current service cost of benefits accrued in the year
- not all overheads and support services are fully recharged during the year for management reporting purposes

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

	2010/2011						TOTAL
	Children and Young People	Dedicated Schools Budget	Adult Social Care and Housing	Development and Environment	Finance & Resources	All Other Segments	
Employee Expenses	19,703	106,911	14,097	15,337	8,904	6,230	171,182
Other Service Expenses	29,507	52,591	71,142	39,515	19,803	12,494	225,052
Transfer Payments	0	0	0	0	74,070	0	74,070
Support Services	3,295	3,088	2,343	8,330	5,714	1,318	24,088
Total Expenditure	52,505	162,590	87,582	63,182	108,491	20,042	494,392
Fees, Charges & Other Service Income	(9,697)	(7,854)	(13,641)	(20,312)	(19,103)	(12,956)	(83,563)
Grants & Contributions	(14,017)	(154,736)	(22,866)	(5,509)	(79,776)	(4,018)	(280,922)
Total Income	(23,714)	(162,590)	(36,507)	(25,821)	(98,879)	(16,974)	(364,485)
Net Expenditure 2010/2011	28,791	0	51,075	37,361	9,612	3,068	129,907
	2009/2010						TOTAL
	Children and Young People	Dedicated Schools Budget	Adult Social Care and Housing	Development and Environment	Finance & Resources	All Other Segments	
Employee Expenses	19,461	104,415	16,445	16,257	9,295	7,071	172,944
Other Service Expenses	28,163	42,269	65,280	39,813	14,252	15,165	204,942
Transfer Payments	0	0	0	0	70,370	0	70,370
Support Services	3,362	3,053	2,308	13,382	6,905	1,964	30,974
Total Expenditure	50,986	149,737	84,033	69,452	100,822	24,200	479,230
Fees, Charges & Other Service Income	(8,811)	(8,101)	(13,374)	(24,417)	(18,068)	(16,023)	(88,794)
Grants & Contributions	(13,614)	(141,636)	(19,864)	(7,005)	(73,744)	(4,571)	(260,434)
Total Income	(22,425)	(149,737)	(33,238)	(31,422)	(91,812)	(20,594)	(349,228)
Net Expenditure 2009/2010	28,561	0	50,795	38,030	9,010	3,606	130,002

Notes to the Statement of Accounts

30.1 Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<i>2009/10</i> <i>£000</i>	<i>2010/11</i> <i>£000</i>
Net Expenditure in the Directorate Analysis	130,002	129,907
Net expenditure of services and support services not included in the analysis	8,266	10,522
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	34,296	10,625
Amounts included in the analysis and not included in the Comprehensive Income and Expenditure Statement	5,791	2,568
Cost of Services in Comprehensive Income and Expenditure Statement	178,355	153,622

Notes to the Statement of Accounts

30.2 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/2011								
	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIE Statement £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	TOTAL £000
Employee Expenses	171,182	0	(32,262)	0	0	138,920	0	138,920
Other Service Expenses	225,052	12,486	1,364	(26,525)	(666)	211,711	0	211,711
Transfer Payments	74,070	0	0	0	0	74,070	0	74,070
Support Services Recharges	24,087	0	0	0	(1,385)	22,702	0	22,702
Depreciation, amortisation and impairment	0	0	41,534	0	0	41,534	0	41,534
Interest Payments	0	0	0	0	0	0	15,580	15,580
Precepts & Levies	0	0	0	0	0	0	3,661	3,661
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	24	24
Gain / Loss on Disposal of Non-Current Assets	0	0	0	0	0	0	1,455	1,455
Total Expenditure	494,391	12,486	10,636	(26,525)	(2,051)	488,937	20,720	509,657
Fees, Charges & Other Service Income	(83,563)	(1,964)	(11)	13,680	2,051	(69,807)	0	(69,807)
Grants & Contributions	(280,921)	0	0	(33)	0	(280,954)	(34,916)	(315,870)
Interest and Investment Income	0	0	0	0	0	0	(2,134)	(2,134)
Income from Council Tax	0	0	0	15,447	0	15,447	(93,375)	(77,928)
Government Grants & Contributions	0	0	0	0	0	0	(67,422)	(67,422)
Total Income	(364,484)	(1,964)	(11)	29,094	2,051	(335,314)	(197,847)	(533,161)
Surplus / Deficit on the Provision of Services	129,907	10,522	10,625	2,569	0	153,623	(177,127)	(23,504)

Notes to the Statement of Accounts

2009/2010								
	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIE Statement £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	TOTAL £000
Employee Expenses	172,944	0	(5,860)	0	(11,857)	155,227	0	155,227
Other Service Expenses	204,942	12,586	(1,921)	(21,749)	(16,054)	177,803	0	177,803
Transfer Payments	70,370	0	0	0	0	70,370	0	70,370
Support Services Recharges	30,974	0	0	0	(3,121)	27,853	0	27,853
Depreciation, amortisation and impairment	0	0	42,077	0	0	42,077	0	42,077
Interest Payments	0	0	0	0	0	0	32,110	32,110
Precepts & Levies	0	0	0	0	0	0	3,536	3,536
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	33	33
Gain / Loss on Disposal of Non-Current Assets	0	0	0	0	0	0	(1,476)	(1,476)
Total Expenditure	479,230	12,586	34,296	(21,749)	(31,032)	473,330	34,203	507,533
Fees, Charges & Other Service Income	(88,794)	(4,304)	0	18,716	26,929	(47,453)	0	(47,453)
Grants & Contributions	(260,434)	(16)	0	8,824	4,103	(247,523)	(37,411)	(284,934)
Interest and Investment Income	0	0	0	0	0	0	(17,416)	(17,416)
Income from Council Tax	0	0	0	0	0	0	(90,504)	(90,504)
Government Grants & Contributions	0	0	0	0	0	0	(61,503)	(61,503)
Total Income	(349,228)	(4,320)	0	27,540	31,032	(294,976)	(206,834)	(501,810)
Surplus / Deficit on the Provision of Services	130,002	8,266	34,296	5,791	0	178,354	(172,631)	5,723

Notes to the Statement of Accounts

31. Acquired and Discontinued Operations

There were no acquired or discontinued operations in 2010/11 that require separate or additional reporting within the accounts.

32. Overheads and Support Services

The cost of the Council's support services recharged to service accounts in the year are shown in the table below.

	2009/10 £000	2010/11 £000
Financial Services	5,901	8,315
Legal Services	1,230	1,224
Personnel Services	1,466	1,334
Information Technology	2,674	1,460
Corporate Administration	1,999	1,142
Property Related Services	3,314	2,386
Internal Insurance Premiums	2,031	1,416
Central Expenses (postages, photocopiers, telephones, etc.)	1,583	1,359
Recruitment & Retention	232	165
Central Office Accommodation	2,270	3,901
Total Support Service Recharges	22,700	22,702

33. Trading Operations

The Council operates a trading unit for Grounds Maintenance operations, where the service manager is required to achieve a break-even position in-year after meeting statutory capital and FRS17 charges. The Transport trading operation was closed in December 2009.

2009/2010 Surplus / (Deficit) £000	2010/2011		Surplus / (Deficit) £000
	Income £000	Expenditure £000	
Activities			
98 Grounds Maintenance	812	(712)	100
(375) Transport Services	0	0	0
(277)	812	(712)	100
Contract Services - Notional Reserve			
0 Balance at 1 April 2010			0
(277) Surplus / (Deficit) for Year			100
291 Depreciation			(9)
(55) FRS17 Adjustment			0
41 Contribution from / (to) General Fund			(91)
0 Balance at 31 March 2011			0

Grounds Maintenance Operations are included in the Comprehensive Income and Expenditure Statement as part of the cost of Cultural, Environmental, Regulatory and Planning Services as an integral part of the Council's services to the public.

Until 2009/10 the Council also operated a traded service for some Education related services; these have now been subsumed within Education services strategic management. The 'traded' outturn for 2009/10 was a deficit of £27,000.

34. Agency Services

Notes to the Statement of Accounts

Under various statutory powers, an authority may agree with other local authorities to carry out work on their behalf. The authority carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution towards administrative costs.

The Council was not involved in any significant agency activities during the financial year.

35. Road Charging Schemes under the Transport Act 2000

No schemes under the Transport Act 2000 (e.g. road charging) were undertaken by the Council during 2010/11.

36. Landfill Allowances Trading Schemes

The Landfill Allowances Trading Scheme (LATS) allocates tradable landfill allowances to each Waste Disposal Authority (WDA) in England up to a specified level set by DEFRA, known as the 'cap'. WDAs may use their allowances to meet the liabilities for actual landfill usage or sell them to another WDA. Authorities that use more landfill than their cap must purchase allowances from another authority to enable them to meet their liability, or pay a financial penalty to DEFRA if they fail to acquire sufficient allowances.

For 2010/11 the Council received allowances of 39,293 tonnes and the estimated landfill usage is 32,561 tonnes. The Council has not bought or sold any allowances in year or during the reconciliation period. Given the excess number of permits across the country there is minimal opportunity to sell the residual allowances and therefore the remaining 6,732 permits have been valued at £0.00p at the Balance Sheet date.

The following amounts are included in the Statement of Accounts:

	Gross Income £000	Gross Expenditure £000	Net Expenditure £000
<u>Comprehensive Income and Expenditure Account</u>			
Cultural, Environmental, Regulatory & Planning Services	(491)	491	0
	On Recognition £000	31 March Movement £000	2011 £000
<u>Balance Sheet 2010/2011</u>			
<u>Current Assets</u>			
Landfill Usage Allowances for 2010/2011	491	(491)	0
<u>Current Liabilities</u>			
Liability to DEFRA for 2010/11 Landfill Usage	(16)	16	0
<u>Reserves</u>			
General Fund	(475)	475	0

Notes to the Statement of Accounts

37. Pooled Budgets

Section 75 of the Health Act 2006, the NHS Bodies and the Local Authorities Partnership Arrangements Regulations 2000, enable the establishment of joint working arrangements between NHS bodies and local authorities.

An agreement with North Somerset Primary Care Trust exists for the provision of an Integrated Community Equipment Service. The gross expenditure on this service was £1,406,672 (2009/10 – £1,431,892) of which £558,658 (2009/10 – £552,226) was provided by the Council. The remaining sum of £848,014 (2009/10 – £879,666) was provided by the Primary Care Trust.

Until 2009/10 the Council had a pooled budget arrangement with North Somerset Primary Care Trust for the provision of a range of services to persons with learning disabilities. Following national Valuing People Now guidance the pool arrangement was terminated and for 2010/11 the funding from North Somerset Primary Care Trust (of £5,731,091) was transferred to the Council as part of a larger agreement (made under section 256 of NHS Act 2006). For 2011/12 onwards this funding will come directly to the Council as part of the Learning Disabilities and Health Reform Grant.

38. Members' Allowances

The Council is required by the Accounts and Audit Regulations to disclose annually the amounts paid to each elected councillor (Member) under its scheme of Members' Allowances. There are two types of allowance:

- **Basic Allowance** – payable to all Councillors.
- **Special Responsibility Allowance** – payable to certain Councillors to reflect significant additional responsibilities.

Councillor	Members Basic Allowance £	Special Responsibility Allowance £	Employers Pension Contribution £	Employers National Insurance £	Travel Expenses & Subsistence £	Total £
Elfan Ap Rees	8,112	17,919	4,842	2,601	1,177	34,651
Nigel Ashton	8,112	25,596	0	3,583	2,509	39,801
Felicity Baker	8,112	15,360	0	2,273	1,283	27,028
Angela Barber	8,112	6,399	0	1,126	781	16,418
Karen Barclay	8,112	0	0	307	36	8,456
Robert Bateman	8,112	2,049	0	570	0	10,731
Christopher Blades	8,112	0	0	307	192	8,611
Ericka Blades	8,112	0	0	307	48	8,467
Jeremy Blatchford	8,112	15,360	0	2,273	2,597	28,343
Mary Blatchford	8,112	3,555	0	762	427	12,856
Anthony Bryant	8,112	15,360	4,366	2,273	390	30,501
Robert Cleland	8,112	0	0	307	40	8,459
Andrew Cole	8,112	6,399	2,699	776	1,595	19,582
William Collins	8,112	0	1,509	194	0	9,815
Thomas Collinson	8,112	0	0	307	281	8,700
Robert Cook	8,112	5,121	2,461	963	1,778	18,435
Susan Creasey	8,112	0	0	307	0	8,419
Steven Edwards	8,112	0	0	307	0	8,419
Carl Francis-Pester	8,112	12,800	0	1,946	2,193	25,051
Robert Garner	8,112	6,399	0	1,126	872	16,509
Hugh Gregor	8,112	0	0	307	812	9,231
Anne-Marie Gregory	8,112	0	0	307	60	8,479
Colin Hall	8,112	578	1,616	247	202	10,755
Ann Harley	8,112	7,535	0	1,272	693	17,612
Guljinder Hayer	8,112	0	0	307	0	8,419
Andrew Horler	8,112	6,399	0	1,428	0	15,939
Sub-total c/fwd	210,912	146,830	17,493	26,486	17,967	419,688

Notes to the Statement of Accounts

Councillor	Members Basic Allowance £	Special Responsibility Allowance £	Employers Pension Contribution £	Employers National Insurance £	Travel Expenses & Subsistence £	Total £
sub total b/fwd	210,912	146,830	17,493	26,486	17,967	419,688
Christopher Howell	8,112	0	0	307	0	8,419
Jill Iles	8,112	0	0	307	912	9,331
David Jolley	8,112	0	1,509	307	506	10,434
Philip Judd	8,112	0	0	307	0	8,419
Edward Keating	8,112	0	629	260	0	9,001
Michael Kellaway-Marriott	8,112	5,121	2,461	963	121	16,778
Teresa Kemp	8,112	6,399	0	1,126	1,204	16,842
Chris Kimitri	8,112	0	0	307	0	8,419
Nanette Kirsén	8,112	12,030	0	1,847	334	22,323
Reyna Knight	8,112	5,677	0	1,034	1,450	16,273
Anthony Lake	6,747	10,116	0	1,427	0	18,290
Thomas Leimdorfer	8,112	0	0	307	0	8,419
Timothy Marter	8,112	5,121	2,461	660	651	17,005
Alan McMurray	8,112	0	0	307	552	8,971
Keith Morris	8,112	3,840	0	799	27	12,778
Anthony Moulin	8,112	0	0	307	543	8,962
John Norton-Sealey	8,112	0	1,509	307	261	10,189
Ian Parker	8,112	0	0	307	0	8,419
Dawn Parry	8,112	0	0	307	0	8,419
David Pasley	8,112	4,543	0	889	967	14,511
Amratlal Patel	8,112	0	0	307	0	8,419
Dawn Payne	8,112	0	0	307	0	8,419
Marcia Pepperall	8,112	0	1,509	307	0	9,928
Lisa Pilgrim	6,747	0	0	132	0	6,879
Ian Porter	8,112	0	0	307	0	8,419
Terence Porter	8,112	0	1,509	222	146	9,989
Howard Roberts	8,112	0	0	307	0	8,419
David Shopland	0	0	0	0	0	0
Deborah Stone	8,112	0	0	307	0	8,419
Arthur Terry	8,112	0	0	307	0	8,419
Stanley Vyce	8,112	0	1,509	194	0	9,815
Clive Webb	8,112	6,399	2,699	776	0	17,986
Elizabeth Wells	8,112	103	0	356	428	8,999
Roslyn Willis	8,112	0	0	307	721	9,140
Deborah Yamanaka	8,112	2,559	0	635	343	11,649
Totals	483,990	208,738	33,288	43,643	27,133	796,791

Notes to the Statement of Accounts

39. Officer Remuneration

The remuneration paid to the Council's senior employees is as follows. A senior employee is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 and who is:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989.
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

At North Somerset Council the disclosures relate to the Chief Executive Officer and those officers that form the Council's Corporate Management Team. Details are shown in the tables below.

2010/2011 Senior Employee Remuneration					
Post	Salary (incl. fees & allowances)	Expense Allowances	Total Remuneration excl. pension contributions	Pension Contributions	Total Remuneration incl. pension contributions
Chief Executive	144,817	0	144,817	26,936	171,753
Director of Adult Social Services & Housing	103,865	0	103,865	19,319	123,184
Director of Development & Environment	103,865	0	103,865	19,319	123,184
Director of Finance & Resource ¹	104,634	0	104,634	19,462	124,096
Director of Children & Young Peoples Services ²	94,551	0	94,551	17,586	112,137
Head of Performance and Human Resources	81,304	113	81,417	15,123	96,540
Head of Legal & Democratic Services	71,270	0	71,270	13,256	84,526
Strategic Policy Development Manager	62,403	0	62,403	11,607	74,010
	766,709	113	766,822	142,608	909,430
¹ Director of Finance & Resources was also acting Director of Children & Young Peoples Services for the period st to 30th April 2010					
² Service from 4 May 2010 - the annualised salary for the post is £104,062					

Notes to the Statement of Accounts

2009/2010 Senior Employee Remuneration					
Post	Salary (incl. fees & allowances)	Expense Allowances	Total Remuneration excl. pension contributions	Pension Contributions	Total Remuneration incl. pension contributions
Chief Executive	144,817	0	144,817	25,633	170,450
Director of Adult Social Services & Housing	103,865	0	103,865	18,435	122,300
Director of Development & Environment	103,865	0	103,865	18,435	122,300
Director of Finance & Resources ¹	56,958	0	56,958	10,132	67,090
Director of Finance & Resources and Acting Director of Children & Young Peoples Services ²	51,230	0	51,230	9,040	60,270
Director of Children & Young Peoples Services ³	70,219	28	70,247	12,487	82,734
Head of Performance and Human Resources	81,304	113	81,417	14,431	95,848
Head of Legal & Democratic Services	68,293	0	68,293	12,114	80,407
Strategic Policy Development Manager	62,403	0	62,403	11,075	73,478
	742,954	141	743,095	131,782	874,877
¹ Service from 1 April 2009 to 18 October 2009					
² Temporary appointment from 19 October 2009 to 31 March 2010					
³ Service from 1 April 2009 to 2 October 2009					

Notes to the Statement of Accounts

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown in the table below. The numbers below cover all Council activities, including the employment of teachers within schools and include those senior officers detailed above.

	Remuneration Band	No. of Employees	
		2009/10	2010/11
	£50,000 - £54,999	82	84
	£55,000 - £59,999	24	30
	£60,000 - £64,999	26	26
	£65,000 - £69,999	5	5
	£70,000 - £74,999	12	11
	£75,000 - £79,999	1	2
	£80,000 - £84,999	5	3
	£85,000 - £89,999	3	2
	£90,000 - £94,999	0	2
	£95,000 - £99,999	0	1
	£100,000 - £104,999	3	3
	£105,000 - £109,999	1	0
	£110,000 - £114,999	0	0
	£115,000 - £119,999	0	0
	£120,000 - £124,999	0	0
	£125,000 - £129,999	0	0
	£130,000 - £134,999	0	0
	£135,000 - £139,999	0	0
	£140,000 - £144,999	1	1

40. External Audit Costs

In 2010/11 North Somerset Council incurred the following fees relating to external audit and inspection.

	2009/10	2010/11
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	253	230
Fees payable to the Audit Commission in respect of statutory inspection	17	17
Fees payable to the for the certification of grant claims and returns	64	19
Fees payable in respect of other services provided by the appointed auditor	3	2
Total Audit Costs	337	268

Fees payable for other services provided relate to costs in respect of the National Fraud Initiative.

Notes to the Statement of Accounts

41. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Over and under spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2010/11 and the balances carried over as at 31 March 2011 are as follows:

	<i>Central Expenditure £000</i>	<i>Individual Schools Budget £000</i>	<i>Total £000</i>
Brought forward from 2009/10	919	135	1,054
Final DSG for 2010/11	17,282	96,531	113,813
Carry forward to 2011/12 agreed in advance	0	0	0
Agreed Budgeted Distribution in 2010/11	18,201	96,666	114,867
Actual central expenditure for the year	17,226	0	17,226
Actual ISB deployed to schools in year	0	96,531	96,531
Local authority contribution for 2010/11	0	0	0
Total Net Expenditure in 2010/11	17,226	96,531	113,757
2010/11 Variance to Budgeted Distribution	56	0	56
Total Carry Forward of Grant to 2011/12	975	135	1,110

Notes to the Statement of Accounts

42. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10 £000		2010/11 £000
	Credited to Taxation and Non-Specific Grant Income	
(11,058)	Area Based Grant	(15,477)
(9,423)	Revenue Support Grant	(6,590)
(195)	Local Authority Business Growth Incentive	0
(37,411)	Capital Grants and Contributions	(34,916)
(58,087)		(56,983)
	Credited to Services	
(56,489)	Housing Benefit Subsidy	(59,420)
(1,828)	Housing Benefit Administration	(1,817)
(13,166)	Council Tax Benefit Subsidy	(13,784)
(495)	Other Finance & Corporate Services Grants	(842)
36	Housing	(57)
(108,003)	Dedicated Schools Grant	(112,703)
(11,000)	Standards Fund	(12,870)
(5,785)	School Standards Grant	(5,657)
(7,978)	Sixth Form Funding & Special Education	(8,069)
(4,025)	General Sure Start	(4,559)
(1,551)	Other Children & Young Peoples' Grants	(2,327)
(2,690)	Preserved Rights	0
(6,032)	Supporting People (incl. A&B Handy Person Grants)	(1,439)
(3,470)	Other Adult Social Services Grants	(1,352)
(1,750)	Development & Environment Grants	(1,833)
(224,226)		(226,729)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the provider should those conditions not be met. The balances at the year-end are as follows:

	2009/10		2010/11
	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Capital Grants Receipts in Advance			
Devolved Formula Grant	(2,284)	(3,431)	(2,886)
BSF Grant	(4,734)	(492)	0
14-19 ICT Diploma	(736)	(7,585)	(2,546)
Kitchen Refurbishment	0	(1,686)	(1,272)
Primary Capital Programme	0	(5,678)	(2,590)
Weston Sea Defences	(1,804)	(4,795)	(994)
CABE Sea Change	(88)	(488)	(2)
Growth Point Funding	0	(855)	(1,613)
Other	(1,069)	(456)	(1,408)
	(10,715)	(25,466)	(13,311)

Notes to the Statement of Accounts

43. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the North Somerset Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and also prescribes the terms of many of the transactions that the Council has with other parties.

Details of grants received from Government departments and Capital receipts outstanding at 31 March 2011 are shown in Note 42

In addition the Council has applied the following significant capital grants for the financing of capital expenditure during 2010/11:

<i>Awarding Body</i>	<i>Type of Grant</i>	<i>Amount £000</i>
Department for Education (formerly DCSF)	Early Years Childcare	3,065
Department for Education (formerly DCSF)	Devolved Formula Grant	2,442
Department for Education (formerly DCSF)	Primary Capital Programme	3,088
Department for Education (formerly DCSF)	14-19 Diploma Grants	4,381
Department for Education (formerly DCSF)	Kitchen Refurbishment Grant	1,582
Communities & Local Government	Regional Housing Pot & Disabled Facilities Grant	1,316
Environment Agency	Sea Defences	7,366
Department for Transport	Local Transport Plan & Major Transport	3,026

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. All Members, together with the Council's Directors, have been asked to sign a declaration detailing any relevant transactions entered into by them or close members of their family during the financial year. Responses have been received from all but two Members.

The Director of Finance and Resources has been made aware of a number of issues, however none of these are considered to be significant and are therefore deemed not necessary to be reported within the accounts. Details of all interests are recorded in the Register of Members' Interest, open to public inspection.

Avon Pension Fund

The details of the payments made to the Council's Pension Fund are provided in Note 48, pages 77 to 83.

Other Public Bodies

Any significant transactions with such bodies (e.g. Parish Precepts) are disclosed elsewhere within this Statement of Accounts.

Notes to the Statement of Accounts

44. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, including the value of assets acquired under finance leases, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed.

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

2009/10		2010/11
£000		£000
116,967	Opening Capital Financing Requirement	131,680
	Capital Investment in Year	
63,464	Property, Plant and Equipment	52,363
31	Investment Properties	167
0	Intangible Assets	0
3,691	Revenue Expenditure Funded from Capital Under Statute	5,025
67,186		57,555
	Source of Finance	
(4,803)	Capital Receipts and Reserves	(8,471)
(40,912)	Government Grants and Contributions	(32,789)
(1,234)	Revenue Provisions	(874)
(5,524)	Minimum Revenue Provision & Voluntary Set Aside	(5,452)
(52,473)		(47,586)
14,713	Net Increase in Capital Financing Requirement	9,969
131,680	Closing Capital Financing Requirement	141,649
	Explanation of movement in year:	
5,684	Increase in underlying need to borrow supported by Government assistance	6,800
14,506	Increase in underlying need to borrow unsupported by Government assistance	8,621
47	Assets acquired under finance lease	0
(5,524)	Minimum Revenue Provision & Voluntary Set Aside	(5,452)
14,713	Net Increase in Capital Finance Requirement	9,969

The Minimum Revenue Provision shown above comprises:

	2009/10	2010/11
	£000	£000
Minimum Revenue Provision	3,870	4,528
Avon Loan Debt Minimum Revenue Provision	800	156
Voluntary Revenue Provision	854	768
	5,524	5,452

Notes to the Statement of Accounts

Revenue Expenditure Funded by Capital Under Statute incurred and written out during the year are as follows:

	2009/10 £000	2010/11 £000
Disabled Facilities Grants	1,599	1,607
Private Sector Renewal	205	271
Assistance to Housing Associations	554	65
VA Schools	37	718
Capital Works and Grants - Non Council Property (incl. Childrens Centres)	628	1,617
Infrastructure Projects	668	747
	3,691	5,025

45. Leases

45.1 Authority as Lessee

Finance Leases

The Council has acquired vehicles and print room equipment under finance leases. The assets acquired under these leases are carried as Vehicles, Plant, Furniture and Equipment under Property, Plant and Equipment in the Balance Sheet at a net value of £258,000 (2009/10 – £485,000).

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts;

	2009/10 £000	2010/11 £000
Finance Lease Liabilities	436	238
Finance costs payable in future years	76	37
Minimum Lease Payments	512	275

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The minimum lease payments will be payable over the following periods

	Minimum Lease Payments		Finance Lease Liabilities	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Not later than one year	264	171	215	138
Later than one year and not later than five years	248	104	221	100
Later than five years	0	0	0	0
Minimum Lease Payments	512	275	436	238

Notes to the Statement of Accounts

Operating Leases

The Council has acquired a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of five years for vehicles and equipment and 76 years for property. The future minimum lease payments due under non-cancellable leases in future years are:

	2009/10 £000	2010/11 £000
Not later than one year	1,627	1,382
Later than one year and not later than five years	2,728	1,867
Later than five years	139	58
Total	4,494	3,307

The Authority has sub-let some of its office accommodation held under these operating leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £76,570 (£76,437 at 31 March 2010).

The amount paid under these arrangements and charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year was £1,790,503 (2009/10 – £1,715,552).

	2009/10 £000	2010/11 £000
Minimum lease payments	1,465	1,486
Contingent rents	251	304
Sublease payments receivable	(76)	(76)
Net Charge to Cost of Services	1,640	1,714

45.2 Authority as Lessor

Finance Leases

The Council does not own any property that it leases out under finance leases.

Operating Leases

The Council owns various commercial and investment property that it leases out under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2009/10 £000	2010/11 £000
Not later than one year	550	475
Later than one year and not later than five years	1,136	891
Later than five years	3,407	3,471
Total	5,093	4,837

Notes to the Statement of Accounts

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £200,852 of contingent rents were receivable by the Authority (2009/10 – £130,767).

The gross value of assets which were held for use in operating leases was £7.548m valued at 31 March 2011. (31st March 2010: £7.548m)

46. Termination Benefits

46.1 Redundancy and compensation

An amount of £1,326,133 (2009/10 – £1,230,045) was paid in respect of severance payments during the year. All payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment.

46.2 Pension Strain

During 2010/11, a sum of £881,247 (2009/10 – £1,201,292) was charged to service(s) in the Comprehensive Income and Expenditure Statement in respect of pension strain costs, and at the year-end, the balance shown in Creditors in the Balance Sheet for these transactions was £nil. Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council under any agreement with the pension fund are recognised immediately as an expense.

47. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11 the Council paid £8.078m to Teachers' Pensions in respect of teachers' retirement benefits, representing 13.67% of pensionable pay. The figures for 2009/10 were £8.102m and 14.1% respectively. There were no contributions remaining payable at the year-end.

The Council is also responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 48.

48. Defined Benefit Pension Schemes

48.1 Participation in Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two schemes:

- the Local Government Pension Scheme known as the Avon Pension Fund, administered by Bath & North-East Somerset Council;
- arrangements for the award of discretionary post retirement benefits upon early retirement; this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

48.2 Local Government Pension Scheme

The Local Government Pension Scheme is a funded defined benefit scheme based on final pensionable salary. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance

Notes to the Statement of Accounts

the pension liabilities with investment assets.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pension. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2009/10 £000	2010/11 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- Current Service Cost	6,958	11,064
- Past Service Cost / (Gain)	1,060	(27,146)
- Settlements & Curtailments	440	1,147
<i>Financing and Investment Income and Expenditure</i>		
- Interest Cost	22,980	24,928
- Expected return on assets in the scheme	(12,528)	(17,864)
Net Charge to Surplus or Deficit on Provision of Services	18,910	(7,871)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
- Actuarial Gains and Losses	42,541	(14,897)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	61,451	(22,768)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(18,910)	7,871
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	13,521	13,741

In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Local Government Pension Scheme by £27.146 million and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

Notes to the Statement of Accounts

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2009/10		2010/11	
	<i>Funded</i> £000	<i>Unfunded</i> £000	<i>Funded</i> £000	<i>Unfunded</i> £000
Opening Balance at 1 April	(313,642)	(12,812)	(430,670)	(15,231)
Current Service Cost	(6,958)	0	(11,064)	0
Interest Cost	(22,106)	(874)	(24,103)	(825)
Contributions by Scheme participants	(4,331)	0	(4,167)	0
Actuarial Gains / (Losses)	(98,003)	(2,543)	8,464	(1,382)
Benefits paid	15,870	998	15,735	996
Past Service (Costs) / Gains	(1,060)	0	26,288	858
Settlements / Curtailments	(440)	0	(1,147)	0
Closing Balance at 31 March	(430,670)	(15,231)	(420,664)	(15,584)

Reconciliation of fair value of the scheme (plan) assets:

	2009/10	2010/11
	£000	£000
Opening Balance at 1 April	204,545	276,062
Expected rate of return	12,528	17,864
Actuarial Gains / (Losses)	58,005	7,815
Employers' Contributions	13,521	13,741
Contributions by Scheme participants	4,331	4,167
Benefits Paid	(16,868)	(16,731)
Closing Balance at 31 March	276,062	302,918

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £20.970m (2009/10 – £70.533m).

Notes to the Statement of Accounts

Scheme History

The underlying assets and liabilities for post-employment benefits attributable to the Council at 31 March are as follows:

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Estimated Liabilities in scheme - Present Value	(338,794)	(381,661)	(326,454)	(445,901)	(436,248)
Estimated Assets in scheme - Fair Value	265,414	247,348	204,545	276,061	302,918
Net Asset / (Liability)	(73,380)	(134,313)	(121,909)	(169,840)	(133,330)

The liabilities show the underlying commitments that the authority has in the long run, in order to pay post-employment benefits. The total liability of £436.248m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance on the Pensions Reserve of £133.330m. Statutory arrangements for funding the deficit mean that the financial position of the authority remains in a sound position as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary; finance is only required to be raised to cover discretionary benefits when the pensions are paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £12.932m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Avon Pension Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations have been:

	2009/10	2010/11
Rate of RPI inflation	3.3%	3.4%
Rate of CPI inflation	2.8%	2.9%
Rate of increase in salaries	4.55%	4.40%
Rate of increase in pensions	3.3%	2.9%
Rate for discounting scheme liabilities	5.6%	5.5%
Mortality Assumptions		
Longevity at 65 for current pensioners	Years	Years
Men	21.2	22.7
Women	24.1	25.6
Longevity at 65 for future pensioners in 20 years time	Years	Years
Men	22.2	25.0
Women	25.0	28.0
Take-up of option to convert annual pension into retirement grant	50%	50%

The Local Government Pension Scheme's assets are valued at fair value, principally bid price for investments, totalling £302.918m for the Fund as a whole at 31 March 2011 (£276.062m at 31 March 2010).

Notes to the Statement of Accounts

The Fund's assets consist of the following categories, by proportion of the total assets held by the fund:

	<i>Long Term Return %</i>	<i>31 March 2010</i>		<i>31 March 2011</i>	
		<i>£000</i>	<i>%</i>	<i>£000</i>	<i>%</i>
Equity Investments	7.5	179,440	65.0	189,627	62.6
Government Bonds	4.4	28,434	10.3	39,379	13.0
Other Bonds	5.1	26,502	9.6	23,931	7.9
Cash / Liquidity	0.5	7,454	2.7	6,361	2.1
Property	6.5	9,110	3.3	18,175	6.0
Other	7.5	25,122	9.1	25,445	8.4
Totals		276,062	100.0	302,918	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	<i>2006/07 £000</i>	<i>2007/08 £000</i>	<i>2008/09 £000</i>	<i>2009/10 £000</i>	<i>2010/11 £000</i>
Differences between expected and actual return on assets	0.3%	9.3%	29.7%	21.0%	2.6%
Experience gains and losses on liabilities	5.0%	9.6%	24.3%	22.5%	1.6%

Notes to the Statement of Accounts

48.3 Unfunded Teachers' Discretionary Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year in relation to unfunded Teachers' Discretionary Benefits:

	2009/10 £000	2010/11 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- Past Service Cost / (Gain)	0	(1,406)
- Settlements & Curtailments	150	174
<i>Financing and Investment Income and Expenditure</i>		
- Interest Cost	1,515	1,396
Net Charge to Surplus or Deficit on Provision of Services	1,665	164
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
- Actuarial Gains and Losses	4,080	(576)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,745	(412)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(1,665)	(165)
Actual amount charged against the General Fund Balance for pensions in the year		
Retirement benefits payable to pensioners	1,696	1,697

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in respect of unfunded Teachers' Discretionary Benefits by £1.406 million and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

Notes to the Statement of Accounts

Liabilities in Relation to Teachers' Discretionary Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2009/10 £000	2010/11 £000
Opening Balance at 1 April	(22,180)	(26,229)
Interest Cost	(1,515)	(1,396)
Actuarial Gains / (Losses)	(4,080)	576
Benefits paid	1,696	1,697
Past Service (Costs) / Gains	0	1,406
Settlements / Curtailments	(150)	(174)
Closing Balance at 31 March	(26,229)	(24,120)

The Discretionary Benefits arrangements have no assets to cover its liabilities.

48.4 Somerset and Gloucestershire County Council Scheme

In addition to the above described schemes, during the year the Council also made payments to Somerset County Council of £10,784 (£5,878 - 2009/10) and to Gloucestershire County Council of £3,868 (£4,576 - 2009/10) in respect of pension costs of former employees.

These costs relate to employees prior to Local Government Reorganisation in 1974. These costs are deemed to represent the current cost of service, in accordance with the requirements of IAS19, and have been charged to Non Distributed Costs in the Comprehensive Income and Expenditure Statement.

Due to the lack of information available and relative immateriality of these transactions, no attempt has been made to calculate the respective net liability or asset represented by these future pension commitments.

49. Contingent Liabilities and Contingent Assets

49.1 Contingent Liabilities

Each Director has to produce an Annual Assurance Statement for their Directorate and within these Statements, they are required to identify whether there is any potential litigation or claims that may affect the financial statements. There are three significant risks to the financial statements.

Residential and Nursing Home Arbitration

The non-acceptance of our annually negotiated fee increases by the Registered Nursing Home Association (RNHA). The Council is being taken to arbitration by 12 nursing homes despite having offered generous and competitive fee increases for the period 2009/10 of 2.6% for a 0-1 star home, 3.6% for a 2 star home and 4.6% for a 3 star home. In monetary terms those increases equate to £500.78 per bed per week and £510.54 per bed per week (plus RNCC of £106.30) for the care of older people with mental illness/dementia resident in 2 and 3 star homes (respectively).

Although those percentage increases rank considerably above average nationally and were accepted by all residential homes and 29 nursing homes, 12 members of the RNHA (2 and 3 star nursing homes) have, under and pursuant to their spot purchase contract with the Council, referred the Council to arbitration because they consider those fees are inadequate and should be at least £723.20 per week per bed per care home being, what they allege (but do not explain), is the actual cost to them of running a care home in North Somerset.

Should those 12 nursing homes succeed at arbitration, this would be a significant unfunded item. For example, a 1% increase (over and above the disputed increases offered by the Council) could cost between £106,000 and £378,000 depending on the scope of the Tribunal's decision and how such a decision would be implemented across this sector. The Council remains confident that it will be successful in its defence of the proceedings not least because the Council's current basic rates (and rates for the period in dispute) benchmark as one of the highest in the region.

Landsbanki

Notes to the Statement of Accounts

Early in October 2008, several Icelandic banks collapsed and went into administration. North Somerset Council had one investment of £3m deposited in Landsbanki, which was due to mature on 28 November 2008. All monies continue to remain subject to the respective legal administration and receivership processes. The 2010/11 accounts continue to reflect the Council's assumption of a 95% return. Full details regarding this issue can be found in Note 18.2 on page 45.

Municipal Mutual Insurance Ltd. (MMI)

The following latest report from Municipal Mutual Insurance Ltd. (MMI) informs the Council of a possible future financial exposure.

Municipal Mutual Insurance Ltd. went into 'run-off' on 30 September 1992. For the policy years prior to 1992/93, North Somerset faces a potential liability. If in future MMI has insufficient funds to meet future claims with regard to this period, then the 'MMI Scheme of Arrangement' will be triggered. The scheme creditors, of whom North Somerset are one, would be liable to repay the total value of claim payments received to date, less £50,000.

The Directors signed the 30 June 2010 Annual Report and Accounts on 7 September 2010 stating that they were of the view that if a positive outcome to litigation could be achieved, a solvent run-off with full payment of agreed claims could be achieved.

However, at a meeting of MMI creditors on 17 November 2010, in a critical change compared to previous years, the Finance Director reported that the run-off projection did not show a break-even point (i.e. a solvent run-off is no longer achievable).

The Company's solvency is dependent on a successful result to continuing litigation, which could be subject to Supreme Court Appeal and also resolution of the many uncertainties surrounding the INBR (incurred but not reported) provision, including numbers of future claims and inflation rates as well as future investment returns.

As at 31 March 2011 the Council had a potential maximum financial exposure of approximately £526,000.

49.2 Contingent Assets

Residential and Nursing Home Arbitration

Should the Council be successful in its defence of the arbitration proceedings described above, it may be awarded legal costs incurred in pursuing the case. The value of costs recoverable would be determined in the detailed outcome of the proceedings.

50. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by all directorates with specific support from officers within the Finance and Resources directorate, under policies approved by Council in the Annual Investment Strategy. This provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Notes to the Statement of Accounts

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the strict criteria set within the Council's approved Treasury Management Strategy, which does include a degree of reliance upon credit reference ratings.

However, the Council's Strategy mitigates a proportion of credit risk by setting limits to restrict the total amounts invested with individual counter-parties at any one time. The in-house treasury team could not invest more than £4m, and the external cash managers not more than £3m to any one investor during 2010/11. The only exception to this principle during the year related to deposits made with the Government's Debt Management Office, no limit was applied as it was deemed extremely secure.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	<i>Amount at 31 March 2011 £000 (A)</i>	<i>Historical experience of default % (B)</i>	<i>Historical experience adjusted for Market Conditions % (C)</i>	<i>Estimated maximum exposure to default & uncollectability £000 (A x C)</i>
Deposits with banks & financial institutions	77,963	0.016%	0.082%	64
Bonds	0	0.002%	0.002%	0
Customers (Trade Debtors)	7,436	3.785%	3.785%	281
Totals	85,399			345

The historical experience of default for banks and financial institutions has been taken from Moody's, one of the credit rating organisations used by the Council. Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict criteria for investment counterparties in order to mitigate this risk wherever possible.

Credit limits and ratings are monitored throughout the reporting period, and adjustments made to the Strategy if appropriate. As reported in Note 18.2 the Council had one investment of £3m with the Icelandic bank Landsbanki, for which an impairment assessment has been carried out in accordance with recommended guidelines published by CIPFA..

Notes to the Statement of Accounts

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than £7m of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	PWLB £000	A Bonds £000	Mortgages £000	Other Credit £000	Cover £000	Total £000
Less than one year	6,000	0	0	579	24	6,603
Between one and two years	0	3,104	0	0	24	3,128
Between two and five years	7,270	2,056	0	0	0	9,326
Between five and ten years	9,744	0	0	0	0	9,744
More than ten years	87,533	0	364	0	0	87,897
Totals	110,547	5,160	364	579	48	116,698

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Notes to the Statement of Accounts

Price Risk

The Council is exposed to risk of changes in the price of Certificates of Deposit which form part of the externally managed portfolio of investments. A general shift up or down in the quoted bid prices as at 31 March 2011 of 1% would have resulted in a gain or loss of £0.104m being recognised in Other Comprehensive Income and Expenditure.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Collection Fund Account

This account reflects the Council's statutory responsibility as a billing authority to maintain a separate Collection Fund, which shows the transactions in relation to council tax and non-domestic rates, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2009/10 £000		Note	2010/11 £000	£000
Income				
(94,943)	Council Tax Payers	CF1		(98,185)
(12,984)	Transfers from General Fund - Council Tax Benefit			(13,614)
(49,227)	Business Rate Payers	CF2		(49,591)
<u>(157,154)</u>				<u>(161,390)</u>
Expenditure				
105,807	Precepts	CF3		110,432
	<u>Business Rates</u>			
48,971	- Payments to National Pool	CF2	48,266	
256	- Costs of Collection		<u>1,324</u>	49,590
438	Increase / (Decrease) in Provision for Bad Debt			575
	<u>Contributions - Previous Year's Fund Surplus</u>			
965	- General Fund			1,503
130	- Avon & Somerset Police			207
47	- Avon Fire Authority			75
<u>156,614</u>				<u>162,382</u>
(540)	Movement on Collection Fund Revenue Account			992
Collection Fund Revenue Account				
		CF5		
(1,146)	Balance as at 1 April			(1,686)
(540)	Movement on Fund Balance			992
<u>(1,686)</u>	Balance as at 31 March			<u>(694)</u>

Collection Fund Account

CF1. Council Tax System

Under the council tax system, North Somerset Council must collect each year enough money from local residents to cover the cost of the services we provide, not funded by sources such as Government grants and fees and charges. We must also collect North Somerset's share of the cost of services provided by Avon & Somerset Police, Avon Fire Authority and the Parish and Town Councils.

Council Tax is payable on any dwelling which is not exempt. The amount of council tax that each household must pay depends upon the valuation band in which the property is placed and the Parish or Town in which the dwelling is situated.

In order to set the council tax, we must estimate the number of dwellings in each of eight valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2009/10.

Valuation Bands	Estimated number of taxable dwellings after effect of exemptions and discounts	Ratio	Equivalent number of Band D dwellings
A - up to £40,000	9,860	6/9	6,573
B - £40,001 to £52,000	17,033	7/9	13,248
C - £52,001 to £68,000	18,574	8/9	16,510
D - £68,001 to £88,000	14,549	9/9	14,549
E - £88,001 to £120,000	10,964	11/9	13,400
F - £120,001 to £160,000	5,645	13/9	8,154
G - £160,001 to £320,000	3,013	15/9	5,022
H - over £320,001	206	18/9	412
	79,844		77,868
Allowance for Losses on Collection			(863)
Allowance for New Properties			581
			77,586

The total number of "equivalent Band D dwellings" is divided into the total cost of services to arrive at an "average Band D Tax" per dwelling. Dwellings in bands below "Band D" will pay proportionately less than this average and dwellings in bands above "Band D" will pay proportionately more than this average.

The above calculations resulted in an "average Band D Tax" of £1,423.32 per dwelling for 2010/11 (2009/10 - £1,391.60) after taking into account Parish variations and providing a 1.1% provision for unpaid bills (2009/10 - 1.1%).

The actual Council Tax income for 2010/11 was £111,798,889.25, dividing this figure by the "average Band D Tax" results in an actual tax base of 78,548 dwellings. The difference between this and the total "equivalent Band D dwellings" of 77,586 reflects:

- Variations in the property market
- Changes in the number of exempt dwellings
- Changes in the number of dwellings qualifying for discounts

Collection Fund Account

CF2. National Non-Domestic Rates

Under the existing system all business premises must pay a tax known as National Non-Domestic Rates (NNDR). The tax is collected using local rateable values which are then multiplied by a uniform rate.

All authorities must collect the total NNDR payable (less certain reliefs and other deductions) for their area and pay this into a national fund. Central Government re-distribute the fund to all authorities based on a standard amount per head of the local adult population.

	<i>2009/10</i>	<i>2010/11</i>
Total Non-domestic Rateable Value at 31 March	£119,989,310	£147,117,114
National Non-domestic Rate Multiplier - Standard	48.5p	43.3p
National Non-domestic Rate Multiplier - Small Business	48.1p	42.6p

CF3. Precepts

Precepts shown on the Fund Account are detailed below:

	<i>2009/10</i> <i>£000</i>	<i>2010/11</i> <i>£000</i>
Avon & Somerset Police Authority	12,261	13,037
Avon Fire Authority	4,458	4,685
North Somerset Council (including Parishes)	89,088	92,710
Total Precepts	105,807	110,432

CF4a. Tax Payers' Arrears

	<i>31 March</i> <i>2010</i> <i>£000</i>	<i>31 March</i> <i>2011</i> <i>£000</i>
Council Tax Arrears	7,270	8,238
Business Rates Arrears	6,403	5,539
Gross Tax Payers' Arrears at 31 March	13,673	13,777
Council Tax Prepayments	(1,047)	(1,205)
Business Rates Prepayments	(657)	(347)
Total Tax Payers' Prepayments at 31 March	(1,704)	(1,552)
Total Net Tax Payers' Arrears as at 31 March	11,969	12,225

Collection Fund Account

CF4b. Provision for Tax Payers' Bad Debts

	<i>2009/10</i>	<i>2010/11</i>	
	<i>£000</i>	<i>£000</i>	<i>% of arrears at 31 March</i>
Council Tax	4,243	4,851	58.89%
Business Rates	4,047	2,763	49.88%
Total Tax Payers' Bad Debt Provision	<u>8,290</u>	<u>7,614</u>	

CF5. Breakdown of Prior Years' Tax Payers' Surplus/(Deficit) Held for Distribution

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Total prior years' surplus / (deficit) balance divided as follows:	1,686	694
Council tax belonging to North Somerset Council see reserves note 33.1	1,420	583
Council tax belonging to Precepting bodies, included within creditors in Balance Sheet		
- Avon & Somerset Police Authority	195	82
- Avon Fire Authority	71	29

CF6. Balance Sheet Items apportionment

The Council Tax Collection Fund balance sheet items have been apportioned between the precepting authorities as shown in the table below.

	<i>Total</i>	<i>North</i>	<i>Police &</i>
	<i>£000</i>	<i>Somerset</i>	<i>Fire</i>
		<i>Council</i>	<i>Creditor</i>
		<i>£000</i>	<i>£000</i>
Debtors	8,238	6,915	1,323
Bad Debt Provision	(4,852)	(4,072)	(780)
Prepayments & Overpayments	(2,638)	(2,215)	(423)
Surplus	(694)	(583)	(111)

The Council's Balance Sheet contains only one entry with regard to NNDR, either a government debtor or creditor. In 2010/11 the NNDR transactions resulted in a Government debtor of £4,929k, which is included in the Balance Sheet (2009/10 - £5,290k debtor).

Annual Governance Statement

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Independent Auditor's Report

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Independent Auditor's Report

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Glossary of Terms and Abbreviations

A

Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Statements

The Council's Core Financial Statements and Supplementary Financial Statements.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which no payment has yet been made or received at the Balance Sheet date.

Actuarial Gains or Losses (Pension Schemes)

The changes in actuarial deficits or surpluses that arise because events have not matched previous assumptions and/or actuarial assumptions have changed.

Amortisation

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible fixed assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for tangible fixed assets.

Appointed Auditors

External auditors of local authorities appointed by the Audit Commission. They may be from the Commission itself or a major accountancy firm.

Approved Institutions

Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.

Asset

An item having value in monetary terms. *See also Current Assets, Fixed Assets and Financial Asset.*

Audit of Accounts

An independent examination of the Council's financial affairs.

B

Billing Authority

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

Budget

The forecast of net revenue and capital expenditure over an accounting period.

C

Capital Expenditure

Expenditure for the acquisition, provision or improvement of fixed assets, which will be of long-term value to the Council, providing services beyond the current accounting period.

Capital Financing

The raising of money to pay for capital expenditure through borrowing, useable capital receipts, capital grants and contributions or use of reserves.

Capital Financing Requirement (CFR)

The Capital Financing Requirement shows the amount of funds required by the Council as a result of capital investment and resources set aside in the year.

Glossary of Terms and Abbreviations

C

Capital Programme

The capital schemes the Council intends to carry out over a specified time period.

Capital Receipts

Money received from the disposal of fixed assets or the repayment of grants and loans, which is available for financing future capital expenditure.

Collection Fund

A statutory fund maintained by a billing authority, which is used to record local taxes and Non-Domestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund

Community Assets

Assets which the Authority intends to hold in perpetuity, that have no determinable finite useful life and that may have restrictions on their disposal, e.g. parks, historical buildings. *See also Fixed Assets.*

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

Contingent Asset

A possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient liability.

Council Tax

The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and the Authority's General Fund.

Council Tax Benefit

Assistance provided by billing authorities to adults on low incomes to help pay their Council Tax bill. The cost to authorities of council tax benefit is largely met by government grant.

Creditors

Amounts owed by the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been made.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

C

Curtailment (Pensions)

Glossary of Terms and Abbreviations

An event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

D

Debtors

Amounts due to the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been received.

Depreciation

The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

Direct Revenue Financing (DRF)

Resources provided from an authority's revenue budget to finance the cost of capital projects.

E

Equity

The Authority's value of total assets less total liabilities.

Equity Instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Exceptional Items

Events or transactions that fall within the ordinary activities of the Authority and need to be disclosed separately due to their size to give fair presentation of the accounts.

Expected Returns on Assets (Pensions)

The average rate of return, including both income and changes in fair value, but net of scheme expenses, expected over the remaining life of the pension.

External Audit

The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Extraordinary Items

Abnormal material items, which fall outside the ordinary activities of the Authority and which are not expected to reoccur.

F

Fair Value (FV)

The price an asset could be exchanged for in an arm's length transaction less any grant.

Fees and Charges

Income raised by charging users of services for facilities, e.g. leisure centres, trade refuse, etc.

Finance Leases

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

G

Financial Asset

A right to future economic benefits controlled by the Authority that is represented by:

- cash
- an equity instrument of another entity

Glossary of Terms and Abbreviations

- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

An obligation to transfer economic benefits controlled by the Authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

Fixed Assets

Assets which can be expected to be of use or benefit the Authority in providing its service for more than one accounting period.

G

General Fund (GF)

The main revenue fund of a billing authority, used to meet day-to-day spending.

Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of provision the Authority's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Authority.

Gross Expenditure

The total cost of providing the Authority's services before taking into account income from government grants and fees and charges for services.

Growth

Any increase in spending from one year to another which enables the Authority to pay for more services rather than to meet higher costs.

H

Housing Benefit (Rent Allowance)

An allowance to persons on low (or no) income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefit provided and of the running costs of the service to local authorities.

I

Impairment

A reduction in the value of a fixed asset, below its carrying amount on the Balance Sheet.

Income

Amounts that the Authority receives or expects to receive from any source, including fees and charges, sales and grants.

I

Individual Schools Budget

That part of the local schools budget which must be delegated to schools via the school's funding formula.

Infrastructure Assets

Fixed assets belonging to the Authority which do not necessarily have a resale value e.g. highways, and for which a useful life span cannot be readily determined.

Intangible Assets

Glossary of Terms and Abbreviations

Non-financial assets which do not have physical substance but are identified and controlled by the Authority through legal rights e.g. IT Software.

Interest Costs (Pensions)

The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Interest Receivable

The money earned from the investment of surplus cash.

Inventories

Items of raw materials and stores an authority has procured to use on a continuing basis and which it has not yet used.

Investment Property

Land and Buildings fixed assets held only for investment potential.

J

Joint Arrangement

An arrangement under which the participants engage in joint activities but do not create a legal entity because it would not carry on a trade or business of its own.

L

Liability

A liability is where the Authority owes payment to an individual or another organisation. *See also Contingent Liability, Current Liabilities and Financial Liability*

Local Management in Schools (LMS)

A system of delegation of management responsibility and budgets to schools, which has applied since 1990/91, introduced by the Education Reform Act 1988.

M

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements to a reader.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for repayment of debt as required by the Local Government Act 2003.

N

National Non-Domestic Rates (NNDR)

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

Glossary of Terms and Abbreviations

N

Net Book Value (NBV)

The amount at which fixed assets are included in the balance sheet.

Net Debt

The Authority's total borrowings less cash investments.

Net Expenditure

Gross expenditure less specific service income.

Non-Operational Assets

Assets held by the Authority but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus land.

O

Operating Leases

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Outturn

Actual income and expenditure in a financial year (accounting period).

P

Past Service Costs (Pensions)

The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

Pension Fund

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants; it is financed from contributions from the employing authority, the employee and investment income.

Post Balance Sheet Events

Those (non-adjusting) events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

Precept

A levy made by one statutory body (Precepting Authority) on another to meet the net cost of its services.

Precepting Authorities

Those authorities that are not Billing Authorities; i.e. do not collect the Council Tax and National Non-Domestic Rates. Police authorities are 'major' precepting authorities and town and parish councils are 'local' precepting authorities.

Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g. bad debts.

Glossary of Terms and Abbreviations

P

Prudence

The concept that income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

Prudential Code

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2004 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Authority to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

Public Works Loan Board (PWLB)

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

R

Rateable Value

The annual assumed rental value of a hereditament that is used for NNDR purposes.

Revenue Expenditure Funded by Capital Under Statute

Expenditure of a capital nature but for which there is no tangible asset, e.g. renovation grants

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties to an authority include Central Government, Local Authorities and other bodies precepting or levying demands on the Council Tax, its Members, its Chief Officers and its Pension Fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

Related Party Transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

Reserves

Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure

Spending on day-to-day items including employees' pay, premises and transport costs and supplies and services.

Glossary of Terms and Abbreviations

R

Revenue Support Grant

A general grant paid by the Government to Council's contributing towards the costs of their services.

S

Specific Grants

The term used to describe all government grants, including supplementary and special grants, to local authorities other than Revenue Support Grant and capital grants.

Supported Borrowing

The amount of Authority borrowing towards which the Government provides financial support through the annual Revenue Support Grant.

T

Temporary Borrowing

Money borrowed for a period of less than one year.

Total Cost

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

U

Unsupported (or Prudential) Borrowing

Any borrowing the Authority undertakes that is above and beyond the level of Supported Borrowing which the Government helps to fund and which therefore the Authority has to fund completely from its own resources.

W

Work In Progress

The cost of work carried out on an uncompleted project at the Balance Sheet date, which should be accounted for within the accounting period.

Abbreviations used in the Statement of Accounts

BVACOP	CIPFA's Best Value Accounting Code of Practice
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Department for Communities and Local Government
DFE	Department for Education
DEFRA	Department for Environment, Food & Rural Affairs
IFRS	International Financial Reporting Standard
LAAP	CIPFA's Local Authority Accounting Panel